

taking

Pakistan  
equities  
rise by 2%

ABWE



**Global swap shop**  
The options on  
derivatives  
Pages 9 and 14



**One man's meat**  
Why US steel users  
hate import curbs  
Page 5



**Ethnic ads**  
Marketing to  
minorities  
Page 19



**Maastricht showdown**  
Will Major win and  
what if he doesn't?  
Guide to tonight's UK vote, Page 6

# FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JULY 22 1993

D8525A

## Northern Telecom sets out massive restructure plan

Northern Telecom has outlined a massive restructuring plan in the hope of correcting deep-seated problems in its world telecommunications equipment business. The Canadian company, which announced a second-quarter loss of more than \$1bn, is selling its submarine systems division to Alcatel of France, cutting its workforce by 9 per cent and taking a \$500m writedown on its investment in STC the UK telecommunications group. Page 11; Nortel sells marine cable arm, Page 27; Lex, Page 10

**'Last chance' for peace:** International mediators Lord Owen and Thorvald Stoltenberg summoned the leaders of Bosnia's three warring factions to Geneva for what they say will be a final round of peace negotiations. Page 3; In Belgrade, only the mint works, Page 3

**Poor results for carriers:** Two of the biggest US airlines, USAir and AMR, owner of American Airlines, struggled back into profit in the second quarter of this year after the effects of a prolonged price war and recession, but both companies said their results were disappointing. Page 11

**Premier's appeal:** UK prime minister John Major will today stake his authority on a last-ditch plea to Conservative Eurosceptics to end the ruling party's year-long civil war over Maastricht by voting against the treaty's social chapter. Page 10; Reports, Page 6; Observer, Page 9

**'Crisis' over oil:** The Organisation of Petroleum Exporting Countries is facing its worst crisis since 1986 when oil prices collapsed almost overnight. Gholamreza Azadeh, the Iranian oil minister, said, Page 10

**Marion Merrell Dow:** A special \$180m restructuring charge for its US business and falling sales of its leading medicines pushed earnings for the pharmaceuticals group down 85 per cent, to \$29m, for the second quarter. Page 13

**Report hits Dinkins' re-election hopes**

The chances of David Dinkins (left) gaining re-election as mayor of New York this autumn have been hit by a report which strongly criticises his handling of four days of violent disturbances in the city in 1991. The report, drawn up for New York's Democratic governor Mario Cuomo, blames Mr Dinkins, also a Democrat, for failing to act decisively enough to prevent disturbances from escalating into four days of violent confrontation between blacks and Jews. Page 3

**Compaq Computer's earnings** more than tripled in the second quarter as the company gained ground in the personal computer market. The US group also reported record sales for the fourth consecutive quarter. Page 11

**Bundesbank target broken:** Growth in German money supply has exceeded the target range set by the Bundesbank for the third month in a row, dashing market hopes that the central bank would be able to speed up its phased reduction of interest rates. Page 2

**Coca-Cola has struck a \$3.5m deal** to produce soft drinks in Vietnam as soon as the US trade embargo is lifted, challenging its rival Pepsi-Cola in what is a fast-developing market. Page 5

**Trade move:** France is planning to present proposals soon which would give the European Community similar weapons against unfair trade practices to those available to the US. Page 5

**Aerospace plea:** Britain's aerospace industry could suffer "irreversible damage" without more government support, a committee of MPs said. Page 5; Editorial Comment, Page 9

**Steinkühler reports:** The insider dealing commission of the Frankfurt stock exchange pointedly failed to clear Franz Steinkühler, the former head of IG Metall, Germany's powerful engineering union, of insider dealing in the shares of a Daimler-Benz holding company. Page 2

**Hyundai deal:** Labour and management at Hyundai Motor reached a tentative wage accord as riot police gathered outside the company's plant ready to suppress a month-long strike. Page 4

**Police shoot eight:** At least eight supporters of India's ruling Congress party were killed when police opened fire on violent protesters in Calcutta, capital of the communist-led West Bengal state.

**STOCK MARKET INDICES**

FT-SE 100	2914.1	(-8.9)
Yield	4.07	
FT-SE Eurotrack 100	212.75	(-12.10)
FT-A All-Share	1388.75	(-0.3%)
Nikkei	20080.91	(+42.91)
New York S&P 500	5338.08	(-6.70)
Dow Jones Ind Ave	446.14	(-1.17)
S&P Composite	446.14	(-1.17)

**US LUNCHTIME RATES**

Federal Funds	3.1%
3-mo T-bill	3.12%
Long Bond	10.8%
Yield	5.60%

**LONDON MONEY**

3-mo Interbank	5.1%
Libor 3m	5.1%
Libor 6m	5.1%
Libor 12m	5.1%

**NORTH SEA OIL (Argus)**

Brent 15-day (Sep)	\$16.85
Oil	\$16.85
New York Crude Aug	\$20.05
London	\$20.05

**STERLING**

New York London	\$ 1.514
London	\$ 1.514
DM	1.514
DM	1.514

**DOLLAR**

New York London	\$ 1.514
DM	1.514
DM	1.514

## Top groups head French sell-off

By John Riddling and David Buchan in Paris

THE FRENCH government yesterday named three of the country's leading industrial and financial groups to spearhead its ambitious privatisation programme.

The planned sale of Elf-Aquitaine, the oil group which is France's largest industrial concern, Rhône-Poulenc, the chemicals group, and Banque Nationale de Paris, could raise more than FF900bn (\$15.35bn), brokers estimated last night. The first sale is due this autumn. Among the biggest and most solid institutions in the state sector, all three had been expected to figure among the first to be sold off.

The fourth concern named yesterday for sale this autumn was Banque Paribas, a small property-oriented bank, which expressed surprise at being included in the first wave of the state sell-off.

The scale of the share sale, which is aimed at international

\$15bn could be raised from sale of Elf-Aquitaine, Rhône-Poulenc and Banque Nationale de Paris

as well as French investors, will depend on market conditions and on whether the state decides to sell its stakes entirely or in tranches. The proceeds will be used to fund public housing and infrastructure to help pull the economy out of recession, as well as to restrain the budget deficit estimated this year at FF917bn.

The Balladur government has named another 17 companies for sale. But since many of these currently suffer losses - such as Bull, the computer company and Air France, the airline - it has set no time limit on the completion of its programme. Eventually, the conservative government hopes to reduce significantly the size of what is Europe's largest public sector, after Italy.

PAGE 11  
France starts with the cream:  
First bites at the privatisation menu

Heads of the companies selected yesterday have said that privatisation would not alter their strategies, which have allowed for partial sales of state-owned shares even under the preceding Socialist government.

"I am the manager of the company, not the owner," said Mr Lolk Le Floch Prigent, Elf's president, shortly before yesterday's announcement.

Privatisation will facilitate the raising of the new capital that the heavily indebted French state has been increasingly unable to provide.

Yesterday's announcement is to be followed within two weeks by the naming of a special privatisation committee, which will value the four companies for sale with the help of domestic and international banking advisers.

At the same time, the finance ministry did not exclude the possibility that the government might make changes at the top of the four companies before privatisation.

By naming four companies in three different sectors for early sale, the government has given itself the flexibility to decide in September which it will float off first. It is generally confident about the demand for privatisation shares, following the success of the Balladur bond issue earlier this month. The bond, which can

be converted into equity of privatised companies raised FF110bn, almost three times the target amount.

The pricing of the offers will be decided immediately before their floatation. The privatisation bill allows the government to retain a golden share to maintain strategic control over companies involved in sensitive sectors such as energy, defence and high-technology.

President François Mitterrand named Elf among several companies which required "extreme caution" in putting them into private hands.

The government is also trying to hasten a merger between Renault and Volvo, with the aim of privatising the motor group as quickly as possible.

## Peres tries to unblock Mideast peace talks

By Julian O'Zanne in Jerusalem

ISRAELI IS hammering out a new formula to present to the Palestinians to unblock the Middle East peace process, Mr Shimon Peres, foreign minister, said yesterday.

In an interview in Jerusalem, Mr Peres said the government was moving towards a compromise package which would seek to sidestep two thorny issues blocking the 21-month-old peace talks - territorial control over Arab East Jerusalem and legal jurisdiction over settlers in the occupied territories during an interim period of Palestinian self-government.

Mr Peres said among the incentives Israel could offer the Palestinians in return for acceptance of such a package were: greater economic assistance in the occupied territories; a commitment in principle by Israel that the final status of a Palestinian entity will be confederation with Jordan; and the so-called "Gaza first" option - handing over control of the occupied Gaza strip to a Palestinian authority immediately, leaving the status of the occupied West Bank to later negotiations.

The foreign minister said that after 10 rounds of talks both sides had become bogged down by definitions and the problem of convincing their constituencies that they had not given anything away.

"We are trying to meet the problems and build a package both sides can accept," Mr Peres said. "Let us sign what we agree on now and leave the rest to later."

Mr Peres said the advantage of the "Gaza first" option was that it avoided the question of control of Arab East Jerusalem and the problem of Jewish settlers - many of whom live in the occupied West Bank.

The veteran Labour party politician said the idea of a confederation was a good compromise to all sides because it "calmed" Israeli fears of an aggressive independent Palestinian state and "calmed" Palestinian fears because it committed Israel to giving back occupied land.

But he said a final accord on a confederation could not be negotiated now because that would

Continued on Page 10



The rush to replace Japanese prime minister Kiichi Miyazawa, who is expected to resign today, became more confused yesterday as the ailing Mr Michio Watanabe, the foreign minister (above), announced that he would "stake his life" on leading the party and the country. Page 4

## EBRD to drop claims as Attali waives final fee

By Gillian Tett in London and Robert Graham in Rome

THE European Bank for Reconstruction and Development yesterday confirmed it is to drop claims against its former president, Mr Jacques Attali, over his alleged financial mismanagement.

The announcement was made as Mr Giuliano Amato, the former socialist Italian prime minister, became the latest nominee in the vote for the bank's new president, due to start today.

According to the terms of Mr Attali's resignation agreement, Mr Attali has waived his rights to a termination fee, worth more than £147,000 in exchange for a "full and final settlement" over any claims the bank might have in connection with the severely critical audit report submitted by Coopers & Lybrand last week.

The bank's board of governors is due to meet in London today to discuss the further implications of the audit report.

Mr Attali's official resignation came as the final deadline was due for nominations for his successor. As intense behind-the-scenes negotiations continued, the bank announced the deadline had been extended by a week.

The bank yesterday confirmed that at least three candidates have been put forward. These include Mr Amato, and Mr Leszek Balcerowicz, former Pol-

ish finance minister. Sources within the bank have also suggested Mr Henning Christopherson, currently EC economics commissioner, Mr Jacques de Larosière, governor of the Bank of France, and an unnamed Russian candidate are possible candidates. Mr de Larosière is judged the strongest candidate, apparently supported by the Germans and British.

Although the new president will be elected for a four-year term, there is speculation that he might serve the remaining two years only of Mr Attali's tenure, opening the way for a compromise candidate.

"There is a strong feeling here that the French have a moral right to succeed Mr Attali," a source at the bank yesterday said. "This will not be a vote in the normal sense. It will be all about negotiations and pressure."

Italy decided to nominate Mr Amato at the last minute, after high-level consultation with its partners. As Italy already has a deputy-chairmanship through Mr Mario Sarcinelli, a former senior treasury official, election of Mr Amato as president would require a reshuffle of the board.

The move suggests Mr Amato's sudden candidature is a compromise move by Italy to produce a

Continued on Page 10  
Editorial Comment, Page 9

## Bankers brush aside fears of threat from derivatives

By Laurie Morse and Tracy Corrigan in London

A GROUP of the world's top bankers yesterday brushed aside alarm that the \$4,000bn derivatives market poses a threat to the international banking system.

The Group of Thirty, a Washington-based think-tank chaired by Mr Paul Volcker, former head of the US Federal Reserve, concluded that no new regulations are required, but market participants should implement stricter internal controls.

The long-awaited recommendations on the high-tech financial instruments, stand in sharp contrast to concerns voiced recently by Mr William McDonough, new chair of the New York Fed, and by warnings last year by his predecessor, Mr Gerald Corrigan, might be running out of control.

Derivatives are instruments whose value is based on an underlying cash market in stocks, currencies, interest rates or commodities.

The Group of Thirty conceded

that public disclosure of derivatives exposures is inadequate, that wider acceptance of multi-product netting agreements is needed and derivatives accounting practices must be standardised - are not new.

The report avoided making suggestions for additional regulatory oversight, sidestepping comment on the controversial issue of capital adequacy that underlies the unease about derivatives trading.

A very narrow group of firms dominate the derivatives trade - according to one survey, eight in dealers do more than 58 per cent of the business - and those dealers were prominently represented in the Group of Thirty study group.

Sir Dennis Weatherstone, chairman of J.P. Morgan and leader of the G30 study group on derivatives, said that the major problem facing the derivatives industry had been a lack of understanding.

"We have made substantial progress in this area," he said.

Many of the study's findings -

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Capital Markets Arbitrage

London Paris Hong Kong Tokyo



# Bundesbank target is broken again

By David Waller in Frankfurt

GROWTH in German money supply has exceeded the target range set by the Bundesbank for the third month in a row, dashing market hopes that the central bank would be able to speed up its phased reduction of interest rates.

According to provisional figures released yesterday by the Bundesbank, the M3 broad money measure climbed at an annualised, seasonally adjusted rate of 7.1 per cent in June.

Coming after 6.9 per cent growth in May, yesterday's figure was both a surprise and a disappointment for economists who had optimistically hoped for a lower figure, perhaps within the 4.5-5.5 per cent target range.

The poor figures, reflecting growth in public sector borrowing, led economists to predict that the Bundesbank would not move to cut headline interest rates at next Thursday's meeting of the policy-making council, the last time the council meets again before September.

Talk of another July rate cut was sparked earlier this month by speculative pressure on the French franc and Danish krona in the exchange rate mechanism of the EMS.

But the speculative pressures have since abated, shifting the markets' focus back to Germany's domestic monetary goals.

"With M3 running at such a high level it will be difficult for the Bundesbank to justify any further cuts," said Mr Hermann Remspurger, chief economist at the BHF-Bank yesterday. The figures showed that lending to businesses and private individuals rose at a seasonally-adjusted annualised rate of 7.5 per cent in the first half of year.

"The chance of another rate cut is virtually zero now," said Mr Klaus Baader, UBS Phillips & Drew economist in London.

A central factor behind the unexpected increase in M3 was a rise in foreign currency assets of the banking sector.

The reason for this puzzled economists, but Ms Alison Cottrell of Midland Global Markets Research in London said it probably reflected the after-effects of previous currency market intervention by the Bundesbank.

The Federation of German Banks said that a further rate cut would encourage growth in Germany, which is mired in recession, but it said the central bank had to move carefully because of stubbornly high inflation and the need to maintain confidence in the

THE uncomfortably high German money supply figure and the comments by Mr Gerd Gieseler added to concerns over the prospects for the French franc yesterday, writes Peter John in London.

Economists argued that if Germany does not ease monetary policy soon France will have to raise rates to help its currency, a possibility that had been dismissed until yesterday.

Higher interest rates would hit the French government bond market, the recent strength of which has supported the currency. If investors begin to sell bonds and currency the weight of money flowing into the country will be huge.

The French currency ended the day marginally firmer at FF3.41.50 against the D-Mark, just over 1.5 centimes above its official ERM floor.

However, French government bond futures crashed through a key support level to close more than half a percentage point lower.

D-Mark German bankers are concerned that if rate cuts came too rapidly the D-Mark would come under pressure. Provisional inflation figures for July are expected within the next few days.

Inflation is likely to be 4.3 per cent, up from 4.2 per cent in June and more than twice the Bundesbank's long-term target of 2 per cent inflation.

However, the negative impact of the money supply figures was offset by a number of factors, including the Bundesbank's money market operations.

The repo rate, the rate at which the Bundesbank provides wholesale funds for the market, fell to 7.15 per cent yesterday, down from 7.28 per cent last week. This was better than traders' expectations of a fall to 7.18-7.20 per cent. This brings the repo rate closer to the floor set by the discount, currently at 6.75 per cent after being reduced by half a percentage point at the beginning of July.

Moreover, Mr Johann Gadem, a member of the Bundesbank's directorate, told journalists on Tuesday night that the money supply target range of 3.5-5.5 per cent growth was attainable, but conceded that progress towards the goal was not "over the hill".

The latest Bundesbank monthly report said that a brightening of the monetary environment was one reason for the generous cuts in the discount and Lombard rate on July 1.

There is no risk of the repeating anything I am accused of,

# GM-VW inquiry statement due

By Christopher Parkes in Frankfurt

FRESH light is expected to be shed on the industrial espionage battle between General Motors and Volkswagen later today when criminal investigators are due to issue their first formal statement since they started the search for evidence in late April.

The Darmstadt state prosecutor's office, which took up the investigation at GM's request after Mr José Ignacio López de Arriortúa defected from GM to VW in March, said its statement would cover progress so far.

Most interest is focused on recent finds, especially four boxes discovered on July 13 in a Wiesbaden apartment previously occupied by two of Mr López's colleagues. The duo quit GM's German subsidiary,



Volkswagen chairman Ferdinand Piëch faces mounting pressure

Adam Opel, shortly after Mr López was appointed production and procurement director at VW. The cartons are known to have contained details of a secret new car model, but it is

understood that further confidential information was also discovered.

Mr López and his associates, backed by VW and the group's supervisory board, have consistently denied that they took or delivered any secrets to VW.

The state prosecutors, who launched their probe after GM established grounds for suspicion of industrial spying by presenting affidavits from its employees, have already interviewed more than 30 employees of the US-based automotive group.

VW staff have also been called in, but it is understood that Mr López and his associates who joined him at VW when he quit General Motors, have yet to be interviewed.

Mr López and Mr José Manuel Gutiérrez, his closest aide at GM and now at VW, are

believed to be on holiday. Personal testimony and affidavits from GM staff played a key role in a Hamburg court ruling earlier this week in which VW failed to prevent Der Spiegel magazine from continuing to publish allegations of industrial espionage against VW and its employees.

Opel said yesterday that if VW pressed on with a full court hearing to try to reimpose a gag on Der Spiegel, it expected its employees would be prepared to appear again to support the magazine's case.

Volkswagen confirmed that it was considering restarting legal proceedings after this week's setback, but it wanted to see the court's reasoned opinion on the rulings first. According to VW, it could be several weeks before the written opinion is ready.

# Fears for image of German industry

By Christopher Parkes

PUBLIC confidence in the leadership of Volkswagen is ebbing as Germany's most influential newspapers begin to consider that General Motors' claims of industrial espionage might, after all, be more than a "campaign" against its main German rival.

Nothing had yet been proved and nothing had been decided, said the Frankfurter Allgemeine Zeitung (FAZ) yesterday. However, it commented, Tuesday's ruling by a Hamburg civil court that Der Spiegel, the news weekly, could continue reporting on the most damaging allegations, had "cast a clear shadow" over

VW. The suspicions were still only suspicions, but they were gaining weight, according to the FAZ said.

The paper noted recent remarks by Mr Klaus Liesen, chairman of the VW supervisory board, that the affair was a campaign by Adam Opel, GM's German subsidiary,

which damaged the whole automobile industry. However, it said, "Above all it is damaging VW during a delicate restructuring phase." The need for explanations was increasing.

"If the suspicions harden, then the situation will become especially tight for [VW] chairman Ferdinand Piëch, who is linked for better or worse with López." Tuesday's court ruling indicated that the judge set more store on affidavits and testimony from GM employees than on statements from Mr José Ignacio López de Arriortúa, Volkswagen's new production director, and Mr Piëch.

The weekly Die Zeit newspaper was more direct. It asked if Mr López could be taken seriously when he spoke with a "forked tongue" over a mooted car factory in his Basque homeland.

His accounts varied depending on whether he was speaking in Spain or Germany, Die Zeit said.

If the allegations hardened that Mr López had stolen secret GM documents, the VW supervisory board would have

no choice but to fire him immediately, the paper added. If that did not take VW's name out of the headlines: "Then it will be a matter of the head of Piëch, who is not good at acting as though he knows nothing."

Until yesterday the quality press, apart from Der Spiegel which has printed dozens of allegations against Mr López and his associates, had reported developments in the affair in dead-pan fashion, in barest detail, and virtually without comment, apart from the occasional use of the word "unique".

"The dimensions of the case are not conceivable to them (editors)," explained one German observer. "They cannot

imagine that a company at the top of German industry could be involved in such an affair." At the same time, there was a general feeling that Germany had enough economic and unemployment problems without the press undermining or damaging a company as important as Volkswagen, he added.

Yesterday even Bild Zeitung, the mass circulation daily, which has in the past concentrated mainly on the curiosity value of Mr López, his eating habits and management methods, reflected the changed mood.

"Is López on the way out?" asked the headline on its front-page report on the Der Spiegel ruling.

# Steinkühler share dispute shelved

By David Waller

THE insider dealing commission of the Frankfurt Stock Exchange yesterday pointedly failed to clear Mr Franz Steinkühler, the former union leader, of insider dealing in the shares of a Daimler-Benz holding company.

Without naming the former head of IG Metall, Germany's powerful engineering union, the commission said it had been unable to pursue one individual who had made self-incriminating remarks because that person had not signed the voluntary code under which insider dealing is regulated in Germany.

The commission said that under current laws it had no powers to pursue further the individual, who is understood to be Mr Steinkühler. He bought nearly DM1m (£200,000) of shares in Mercedes Holding

(MAH), the bulk of the day before an announcement on April 2 which led to a sharp rise in the price of MAH shares. The shares had risen before the announcement. At the time Mr Steinkühler was on the supervisory board of Daimler-Benz.

It is understood that Mr Steinkühler did not accept the anti-insider code retrospectively as some people have done in order to allow the commission to complete its enquiries. Mr Steinkühler denied dealing on the basis of inside knowledge gleaned from his position on the board, but he resigned from the Daimler board as well as his union position.

The commission said yesterday that it could be assumed that the rise in the MAH share price prior to the announcement on April 2 was not caused by people trading on the basis of inside knowledge.

# Poland's \$12bn debt talks collapse

By Anthony Robinson

NEGOTIATIONS between Poland and its London Commercial Club creditors for a reduction in Warsaw's \$12.1bn bank debt were suspended indefinitely yesterday.

The Polish side rejected the banks' proposals as "not acceptable". Mr Krzysztof Krowacki, the chief negotiator, said: "We did not expect such a tough approach. The banks have been sending out signals that we would be offered something serious. That is apparently not so."

Poland is seeking an agreement for a reduction of its 1 debt to more than 300 commercial banks similar to the two-stage, 50 per cent debt reduction agreed with the Paris Club on \$33bn of official debt in April 1991. In May Poland and the banks agreed to enter negotiations on the basis of three principles which linked an eventual debt reduction agreement to Poland's capacity to pay and its existing agreement with the Paris Club.

Mr Krowacki, who is being advised by Kidder Peabody, the US merchant bank and the US law firm, White & Case, said: "If the banks come up with a proposal in line with the three principles or are prepared to discuss our proposals, we would return to the table immediately. But there are no plans for this at present."

No comment was available from the banks last night.

# Murdoch eyes TV channel

Mr Rupert Murdoch's News Corporation is likely to be a leading applicant to run Poland's first commercial national television network, writes Christopher Robinson in Warsaw.

The company is considering applying jointly with the Polish Investment Consortium, set up this week, which comprises local banks, privatised companies and wealthy businessmen.

Under Polish legislation foreigners are limited to a 35 per cent share in broadcasting companies. The Bertelsmann Corporation from Germany as well as Mr Silvio Berlusconi from Italy have also shown interest.

At the moment state-run television has two channels. A recently established independent Radio and TV Council will consider applications in the autumn for the licence to run the third private channel.

# Chirac chides Balladur

The emergence of Mr Edouard Balladur as a possible contender for the presidency appears to be playing on the nerves of his patron and party leader, Mr Jacques Chirac, who has rebuked the prime minister for not marking a sharper policy "rupture" with the preceding Socialist government, writes David Buchanan in Paris.

A report by the Libération newspaper that Mr Chirac used a lunchtime meeting on Monday with coalition leaders to chide Mr Balladur for not pursuing distinctive policies on the economy, education and defence was yesterday confirmed by some of the participants.

Mr Chirac, who stayed out of the government to remain free to run for the presidency in 1995, seems to have been irritated at Mr Balladur's failure to curb rising unemployment, at his acquiescence in President Mitterrand's decision to defer parliamentary consideration of private school funding, and at the prime minister's agreement with the Socialist president that France should continue its suspension of nuclear tests.

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'I can no longer bear this disgrace. We are treated like dogs in kennels' - Gabriele Cagliari

# Suicide note castigates Milan magistrates' methods

Extracts of the letter written by Gabriele Cagliari, former ENI chairman, to his family before committing suicide on July 20. The messages to his wife and children have been omitted.

ONCE more I am about to cause great grief. After intense thought, I have decided I can no longer bear this disgrace.

Ways of behaviour common to almost everybody - including the very same magistrates, even those in Milan - have become criminal.

Some of us have been caught and exposed to public pillory and anger. The heavy hand of the law, unbalanced and unjust, has done the rest. We are treated like non-persons, like dogs in kennels.

I have been here for over four months, illegally detained. There is no risk of my repeating anything I am accused of,

nor is there any risk of me tampering with evidence relating to the accusations since I possess no powers of decision or action, neither am I going to alter any document since I have none.

As for me leaving the country, I have no passport or identity card. On top of this I am 67 years old and the law lays down that to be kept in such degrading conditions there have to be exceptional circumstances.

But as you are aware the motives for this pitiless treatment are different and the magistrates themselves repeatedly say so, even though this never is placed on the formal record (of the interrogations) as it should be.

The magistrates' aim, and in particular those in Milan, is to force each one of us to make an irrevocable break with what

# GOVERNMENT INVESTIGATES POSSIBLE ABUSES

THE Italian government has begun an inquiry into whether Milan magistrates had behaved correctly in denying Mr Cagliari bail on five occasions and keeping him in prison for 133 days, writes Robert Graham.

Mr Cagliari was found dead in his Milan prison cell on Tuesday. An autopsy carried out yesterday confirmed he had committed suicide.

A formal announcement on the cause of death must wait 60 days; but officials said after the brief autopsy carried out in the presence of one of the Milan magistrates that Mr Cagliari had taken his life. The Milan magistrates themselves, clearly shaken by the suicide, were reported to be keen to have the inquiry - convinced they will be vindicated. This was the

they call our "world" (the corrupt politico-economic system). Each one of us, already compromised in the public eye for being under investigation - or

worse still arrested - is expected to "collaborate". Such "collaboration" involves betrayals and denunciations and one ends up as they want you being classed as an "outcast".

I am convinced the magistrates regard prison as no more than a tool of the trade for psychological torture, regardless of peoples' lives being at stake.

As I have said we are like dogs in a kennel, and any public prosecutor can pick on us to show off to his colleagues that he can be tougher and smarter than the person who did the same thing a few days ago or a few hours back.

Even among them there are the same market forces of competition - with the difference that in this case they are playing with other people's skins.

In these circumstances I cannot accept any justice they hand out to me. They are destroying the very base of the rule of law and are moving on a path that leads towards authoritarianism.

I want no part of this. Today the trials - and not only those in Milan - are tragic farces, with disproportionate sentences handed out by judges who scarce know the

cases or who have fallen asleep during the sessions and then make up their minds in five minutes behind closed doors.

The few of us who have fallen into the hands of this system of "justice" risk becoming the scapegoats in the national tragedy being created by this revolution.

I am convinced however I must reject such a scapegoat role.

I feel above all else a husband and father, then a committed and honest worker who has sought to enhance a little our name: someone who has contributed his tiny part in advancing the cause of this country in the world. I won't let this be sullied by anyone involved in the "clean hands" (corruption enquiry). I ask of you as I seek your forgiveness for this farewell that is final.

# Swedish companies look overseas for salvation

Hugh Carnegie examines Gustavsberg's response to recession at home and internationally-high production costs

THE name Gustavsberg may not have the international resonance of Volvo, Electrolux or Ericsson, but within Sweden it has been a leading brand name for more than 150 years. It is a rare Swede who has not drunk from coffee cups adorned with its anchor symbol, washed in its basins and baths - or sat on a Gustavsberg loo.

The company is not just famous for its products: it has a long history on the forested island of Värmdö, off Stockholm, and is noted for its very Swedish tradition of looking after its workers.

But as much else in Sweden's struggling economy, things have

changed radically at Gustavsberg as the young chief executive battles to keep the company competitive.

Like many medium to large Swedish companies it increasingly finds that the joint pressures of recession at home and internationally-high production costs force it to cut domestic production and look overseas for survival.

Mr Lennart Evrell, chief executive at Gustavsberg, explains the strategy: "Since 1990 we have sold and left different business areas in Scandinavia where we thought we were not going to be able to keep an internationally-competitive position. Then we have acquired companies outside Sweden in areas in which we

want to be."

The result at Gustavsberg has been a transformation of the company's traditional profile as a domestically-oriented producer. The process began in the late 1980s with the shedding of a number of companies to establish a core of four divisions - pipes, taps, sanitary ware and baths and showers.

Among the units sold off in 1987 was the china tableware factory that dated back to 1885 and which symbolised Gustavsberg to many people. It is now owned by a Finnish company which will end all production on Värmdö this year.

In 1990 Gustavsberg made a strategic leap by buying Koralle, a Ger-

man manufacturer of shower cubicles, making it Europe's second biggest shower box maker.

But recovery was still far off, prompting KF, the big co-operative conglomerate which owns Gustavsberg, to bring in Mr Evrell from the engineering group Atlas Copco.

He has pushed on with the restructuring. He has closed Gustavsberg's factory making pipe lengths - no advantage of scale for a Swedish producer - and concentrated on joints and bends where more added value can be achieved. A plant making steel baths has shut with production shifted to a German associate - a decision made

more expensive by the devaluation of the Swedish krona last autumn, but one which still makes long-term sense, Mr Evrell insists.

The result has been dramatic. Overall sales have dipped only marginally to SKr1.35bn (£112.4m) last year. But operating profit in the first four months of 1993 reached SKr22m, compared with SKr2.2m in the whole of 1991.

Most striking of all, two thirds of sales are now outside Sweden, compared with just one third in 1990. Where once there were around 2,000 employees in Sweden, there are now only 800, out of the total group workforce of 1,300. Out of 20 companies in the Gustavsberg group, 13 are out-

side Sweden.

Mr Evrell intends to continue the trend and he says it is one that most Swedish companies are following. He stresses, too, that a company like Gustavsberg does not solve its problems by shifting abroad. With Europe in recession, the danger is that a company buys itself on to a higher profits base - but one where the line is still pointing down.

Sweden is looking next year to exports - or internationally-based companies - to restore some growth to the economy. But the example of Gustavsberg suggests that it will be slow going - and that it will do little to help bring about a turnaround in unemployment at home.

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## In Belgrade now, only the mint works

**T**HE SIGNS in Belgrade's supermarkets warn: "Caution, prices are one thousand times higher than marked."

After more than two years of footing the bill for wars in neighbouring Croatia and Bosnia and 13 months of United Nations sanctions, the Serbian economy has reached a new low.

"Even God almighty could not help turn the economy around," says Mr Ljubomir Madjar, a Belgrade University economics professor.

It will get worse. However, analysts are divided over whether the Serbian people are close to the point where they will turn against their government and demand an end to its support for what the rest of the world regards as Serb aggression in Bosnia.

### Laura Silber on a sanctions-wracked economy with inflation nearing 700% a month

The dinar, the Yugoslav national currency, is collapsing by the hour. The 5m dinar note, the highest denomination, is worth about 50 German pfennings. New denominations of 10m and 50m dinar will be issued on Monday. The D-mark yesterday was valued at about 21m dinars for bank giro transactions.

In a speech recently to government officials, Mr Vojislav Tomić, director of the state treasury, said: "The country is in the most difficult situation in its history... the mint is working on three shifts printing bills non-stop, but there is still not enough cash."

Cashiers and accountants throw up their hands in despair, hard-pressed to keep track of the astronomical figures, often in the thousands of millions.

Inflation in June was 396.7 per cent. Economists this month estimate that prices are rising at about 12 per cent a day, a monthly rate of 690 per cent.

- Industrial output fell by 41.9 per cent in the first five months of this year. This followed a 21.4 per cent drop in 1992.
- Gross national product per head has shrunk from \$3,060 in 1989 to \$350.
- Serbia currently allocates 20 per cent of its shrinking GNP in aid to Serbs in Croatia and Bosnia, although economists believe the real figure is closer to 40 per cent.
- Some 60 to 70 per cent of Serbs live below the poverty level. A typical basket of consumer goods costs \$50, but the average monthly salary is half that, says Mr Miroslav Labus, a Belgrade University economics professor and opposition deputy in the federal parliament.
- Electricity prices have been

## Russian truck maker plans modernisation

By John Lloyd in Moscow

**KAMAZ**, Russia's main supplier of trucks, has embarked on a modernisation programme to boost its competitiveness in the world truck market, according to Mr Nikolai Bekh, the company's general director.

The programme will include the purchase of up to 100,000 truck engines from foreign companies to make up for a shortfall following a fire at the company's main engine plant in April. The 230,000 engine-a-year capacity plant, in the city of Naberezhnye Chelny in the Russian republic of Tatarstan, was destroyed, with damage estimated up to \$1bn.

Mr Bekh said the fire, which wrecked not just the plant but also Kama's plan to increase production by 25 per cent, did allow the management to start from scratch in developing a new strategy for the truck business.

A new plant is now being built at a cost of \$150m plus R&D; it will produce 100,000 engines a year and should be completed by the end of 1993. However, up to 100,000 engines must be imported to produce the new trucks for which there is now an enormous pent-up demand.

Mr Bekh denied a story in a Moscow newspaper yesterday that a deal was about to be signed with Mercedes for the

supply of 25,000 engines at a cost of \$300m. "It's only a proposal," he said.

Mr Bekh said the average cost of a truck engine made in the west was too high and made the outright purchase of such a large number impossible for the company. However, he has proposed three possibilities for solving the problems.

First, the government would itself buy 25,000 engines abroad, which Kama would then put into the trucks which have been made but await engines.

Second, the government could sell oil to Kama at domestic prices and let the company sell it abroad at world prices, using the difference to buy engines.

Third, the government could sell hard currency to Kama at one tenth of the present market rate - just over Rb1,000 to the dollar.

Mr Bekh, one of the most prominent of Russia's younger industrialists, said the new strategy now being pushed through at his enterprises would result in the production of trucks "of a world class". In collaboration with a group of foreign companies, including the long-time associates Cummins Engines and Rockwell International, the company is revamping the chassis, braking systems and cab design of the ageing models still being produced.

## George Graham watches the mighty Mississippi and the little River des Peres

**S**mall streams bring big floods

**D**OWNTOWN St Louis remains safe and dry behind its massive floodwall, but the city's southern fringes have begun to suffer in earnest after weeks of relentless rain.

With the ground waterlogged and drainage streams already filled to overflowing, every new thunderstorm sends the Missouri and Mississippi rivers ever higher to set new flood records.

But although the Mississippi reached a new crest yesterday at 47 feet, it remained 5 feet below the lip of the city floodwall.

It was a much smaller stream, the River des Peres, which took its revenge on south St Louis, backing up to submerge newly-built homes down on the flood plain and even older houses that survived the floods of 1973 unscathed.

The River des Peres is a drainage ditch built by President Franklin Roosevelt's Works Progress Administration in the 1930s, but the rising Mississippi had reversed its flow, driving it upstream. Two inches of rain on Tuesday evening swelled it even further and swept away hundreds of yards of sandbag levees that had held back its sewage-laden waters.

"This is much worse than 1973. It flooded right enough, but not like this," said Mr Mike Coric, a printer who came to the US as a refugee from Croatia 20 years ago.

Fifty yards downhill from Mr Coric's house, Hanover Street disappears into a sullen, brown lake, its surface disturbed only by the water spilling vainly from a handful of pumps.

A sign reading "Sightseers get out" stands guard at the water's edge.

"Those houses down there were all built in the last 10 years. People knew they were

on the flood plain, but I guess the city ran out of land," Mr Coric observed.

A few miles away, Mr Don Rutledge yesterday began taking down the sandbag wall he had built around his antiques business. After a week without electricity, his concern now is to dry out his sudden basement, but he fears the task will be a long one.

"Most everybody got water in their basements. When you pump it out of the basement it goes into the sewers, and with the sewers all backed up, it just goes back into your basement," Mr Rutledge said.

Forecasters have had difficulty predicting when the Mississippi will crest because the basin is so full of water. But water levels are now expected to start falling, although the need to release water from swollen containment reservoirs will slow the fall.

However, the weather system which has caused this year's heavy flooding remains stubbornly static over the Midwest.

Hot moist air from the south-east continues to meet a cold front over the Mississippi basin and the rain will not let up until this weather system has moved along.

Federal money is expected to start flowing quickly. The House of Representatives was due to vote yesterday on an emergency aid bill whose total has already risen in a week from \$2.48bn to \$2.98bn, and may climb even higher before it has passed both chambers of Congress.

Around \$1.5bn of the emergency money will be directed to farmers, with \$915m more going to the Federal Emergency Management Agency. Money will also be provided to allow the Army Corps of Engineers to repair levees, locks and dams along the river.



Boys play in floodwaters in the streets of Portage Des Sioux, Missouri

AP

## Riot report raps Dinkins

By Martin Dickson in New York

**T**HE chances of Mr David Dinkins gaining re-election as mayor of New York this autumn have been hit by the publication of a report which strongly criticises his handling of four days of violent disturbances in the city in 1991.

The report was drawn up for New York's Democratic Governor Mario Cuomo. It blames Mr Dinkins, also a Democrat, for failing to act decisively enough to prevent disturbances in the Crown Heights area of Brooklyn from escalating into four days of violent confrontation between blacks and Jews. The report calls it "the most extensive racial unrest in New York City in over 20 years".

The report will provide ammunition for Mr Rudolph

Giuliani, the Republican candidate in the November 2 election, who lost the 1989 race to Mr Dinkins by only 2 percentage points.

Crown Heights is a touchstone for two of the most important issues: allegations that Mr Dinkins is an indecisive leader, and the need for the city's mayor to ameliorate New York's perpetual racial tensions.

Mr Dinkins won the 1989 poll with an estimated 35 per cent of Jewish votes, and the report could erode his standing among this important electoral bloc.

His support among Hispanics may also have been weakened by the decision in May of Mr Herman Badillo, the community's Democratic elder statesman, to join the Giuliani ticket and run as the city's financial

comptroller.

The Crown Heights trouble was sparked off when an car driven by a Hasidic Jew went out of control and killed a seven-year-old black child. In the ensuing disturbances, a Hasidic scholar was engulfed by a black mob and stabbed to death.

The report, overseen by the state's director of criminal justice, Mr Richard Girgenti, rejects allegations that Mr Dinkins had instructed police to let black youths "vent" their anger after the child's death.

But it found the mayor slow to appreciate the scale of the violence taking place in Crown Heights, a lack of effective coordination in the City Hall command structure, and a "leadership vacuum" at the highest level of the police department.

## Clinton aide in apparent suicide

By Nancy Dunne

**P**RESIDENT Bill Clinton has lost a friend and political ally with the death of Mr Vincent Foster Jr, who apparently took his own life six months after coming to Washington from Arkansas to work as deputy counsel in the White House.

Administration officials were stunned by the death of Mr Foster, who was found shot dead in a McLean, Virginia, park.

The only immediate explanation offered was depression over the barrage of negative publicity surrounding the firing of seven employees from the White House travel office on charges of mismanagement. In the fall-out, the White

House stood accused of a wide range of political misdeeds including cronyism, abuse of power and an attempt to misuse the FBI. The counsel's office was criticised for failing to contain the incident. Mr Foster kept Mrs Hillary Rodham Clinton informed about the alleged mismanagement of the travel office.

Ms Clinton and Mr Foster had been partners at the Rose law firm in Little Rock, Arkansas, before Mr Clinton's election. His death is a reminder that in many administrations, people come to Washington with high hopes and leave frustrated after the exposure to the national media and the close scrutiny that come with serving the president.

## Banking proposals go to US Congress

By Nancy Dunne in Washington

**T**HE Clinton administration yesterday sent its community banking proposals to Congress, asking lawmakers for \$382m funding over the next four years.

The proposed Community Development Banking and Financing Institutions Fund is the administration's main programme for urban and rural aid.

Mr Lloyd Bentsen, Treasury secretary, told the House banking committee "distressed" communities needed a sustained and comprehensive financing mechanism to gain entry into "mainstream America" in a manner "devoid of long-term subsidy".

The fund will lend money to community development financial institutions, such as credit unions and neighbourhood banks, most of which must provide matching money. It may lend up to \$5m per application to any insured local financing group, and up to \$2m for uninsured institutions.

Assistance from the fund may be used to develop or support commercial and community facilities that produce jobs; create or expand businesses; provide basic financial services to poor people; provide mortgage aid to the poor; and finance low-income housing. It may also provide technical assistance grants.

Congressman Henry Gonzalez, chairman of the committee, said that although the proposal was "a step in the right direction... it is not the answer for our nation's dying communities." He said many areas could not even absorb credit because they had so many unemployed and so few jobs.

"Enacting this bill does not excuse the federal government from implementing a more comprehensive urban policy that addresses the lack of housing, health care, educational and economic opportunities and the prevalence of crime, drugs and violence," he said.

The American Bankers Association also saw the funding request as only "a good starting point". It wants commercial banks brought into the programme to provide "a huge pool of capital for community development".

As the administration's proposal now stands, only institutions "principally engaged" in community development lending would qualify.

Mr William Brandon Jr, president of the association, said banks, which can muster vast financial and human resources, ought to be brought into the scheme. "Every dollar of capital can support \$8 to \$12 in new loans," he said.

## Medellín looks for a change of image

**A**FTER years of being known as the world's cocaine capital, Medellín is trying for a change of image.

Business has joined local government and some 400 non-government organisations to try to pull the community out of drug-related social disintegration and violence.

Some 30,000 young people have been murdered over the last decade, according to Medellín's former mayor, Mr Omar Florez, but tensions have eased considerably since the last big bomb in January and there are signs that a few factions of the neighbourhood militia groups are prepared to disarm. Rumours of another "imminent" surrender by trafficking chief Pablo Escobar circulate constantly, reflecting the assumption that he has lost so much of his support structure that he cannot evade capture indefinitely.

An anti-drug campaign has been launched with the slogan "Medellín, world prevention capital". But there is so much more to Medellín than drugs, gunmen and Pablo Escobar that the slogan does it no justice.

Located in a deep valley at the heart of the rich agricultural and mining region of Antioquia, Medellín became Colombia's leading textile centre in the early 20th century.

Migrants flooded in from the countryside, yet somehow public services kept pace with the poor communities stretching up dangerously steep hillsides, and more than 95 per cent of the city's 1.8m inhabitants have water, electricity and sewerage.

Antioquia's textile industry was thoroughly modernised during the 1980s and clothing is the country's top manufacturing export. Although Medellín businessmen agree that it

Business and local government are joining forces to rescue the city from the shadow of drugs, reports Sarita Kendall

A year after his escape from jail, drugs cartel leader Mr Pablo Escobar is still on the loose, probably hidden by loyal followers in the Medellín area. The government has spent over \$13m hunting for him and his henchmen, making 12,000 raids and searches and arresting 1,400 people, Sarita Kendall writes.

A newly fortified jail houses 25 of the most wanted gunmen and traffickers captured or re-captured over the last year. On several occasions Mr Escobar has apparently been close to surrendering. For nine months he responded to the chase by planting massive car bombs in Bogotá and Medellín. But the police claim to have broken up the bombing groups and have seized seven tonnes of dynamite as well as hundreds of weapons.

Heads have rolled for his escape - four generals, three colonels, 11 other officers, 36 guards and soldiers and the former vice minister of justice have all been charged in connection with the breakout.

But as President César Gaviria comes up to the last year of his presidency, Mr Escobar's escape and continued liberty remains the biggest embarrassment of his administration.

was essential to open up the economy, they criticise the government's inability to control cheap, cocaine-funded corruption and the lack of a coherent import policy - textile and tobacco industries are having a particularly rough time, which could push unemployment up again.

"The image of Medellín abroad is such that foreign investors don't even come here - but we do need foreign capital to bring in new technology. The next phase of industrial development will have to be in electronics, services. Our regional companies have been very closed against outsiders to protect themselves from drug trafficking money. Now we'll have to look outwards," says Mr Juan Guillermo Jaramillo of the ProAntioquia group.

Employment and education are usually singled out as the key factors in the violence equation. "Secondary school places have been increased by 10,000 but another 40,000 are



A soldier stands guard in downtown Medellín

Reuters

recreation facilities and roads.

The densely packed small brick houses have to be shored up with stone walls because of geological instability. In 1987 more than 400 people were killed in a mud avalanche a few hundred metres from La Primavera.

Many of the city's hillside communities are reached by stairways rather than streets, and rubbish-filled gullies complicate communications. A small open-air theatre is being

built under one bridge with British funding; already the gully looks different, as locals smarten their houses and prepare cultural events.

Great hopes are fixed on the Metro, which, after long delays and financing hiccups, is due to start operating in 1995. It is forcing a complete re-think of Medellín's transport system, as well as creating opportunities for land use changes and new developments clustered around stations.

In the meantime, though, street sellers, thieves and rubbish recyclers mill under elevated sections in the city centre and buses clog the streets.

**M**edellín had one of the first development plans in the continent and the local administration is considered unusually efficient and honest. In order to decentralise and encourage community participation, the municipal government is building up a network of subcentres where services and taxes can be paid, documents processed and legal advice sought.

Industry has already begun to decentralise and the Metro will speed the process by pushing up land values along the central corridor. New plants and flower farms have sprouted in the upland valley near the airport but one of the city's limitations is its poor road connections to Bogotá and the Atlantic and Pacific ports.

Some Antioqueños joke that cocaine trafficking is just another aspect of the region's much-vaunted pioneering spirit and money ethic. Others, such as Mr Jaramillo, recognise that a crisis had been looming for some time, and drug trafficking was simply the "detonator".

Although the economy of Antioquia grew faster than the national average last year, three top export earners - coffee, bananas and gold - are seriously affected by world price and quota problems. Medellín's industry is also highly concentrated and unemployment cycles tend to be relatively deep and stubborn.

But Mr Jaramillo, undoubtedly, reflects regional spirit when he says: "We're not resigned here. New paths are always opening up."



# UN will not ease sanctions against Iraq

By Michael Littlejohns  
at the UN, in New York

THE United Nations Security Council yesterday agreed that full-scale sanctions must remain in force against Iraq, regardless of reported progress on the issue of eliminating the country's weapons of mass destruction.

However, Britain's Sir David Hannay, the Council president, emphasised that the decision was not "judgmental" in advance of a report members were due to receive today from Mr Rolf Ekeus, a senior UN official. Mr Ekeus completed negotiations

with Baghdad this week on a weapons inspection programme.

Iraq agreed to long-term monitoring after provoking a crisis by refusing surveillance cameras at two missile sites. The change in approach was related to an attempt by President Saddam Hussein to have sanctions lifted. The imposition of sanctions is reported to have caused serious shortages of food and medicines and fuelled soaring prices.

Sir David termed Mr Ekeus's success "extremely welcome" but he added that what the Council wanted from Iraq were "deeds not words".

Mr Saddam has a record of broken promises that have repeatedly brought Iraq into confrontation with the UN, only to see him back off under the threat of possible military action.

Talks between Iraq and the UN on a limited resumption of Iraqi oil exports remained suspended last night as officials still awaited an announcement by Baghdad on the return of its negotiating team to New York.

Sir David Hannay made it clear in remarks to reporters that an eventual deal would not result in the automatic release of \$1.6bn worth of Iraqi oil

approved by the Council nearly two years ago. This would require a new resolution on the basis of a report by Mr Boutros Boutros Ghali, the secretary-general, and a determination whether Iraq had complied with all relevant conditions.

Much of the proceeds of the proposed limited sale, which would continue for six months and involve about 550,000 b/d, would be spent on food, medicines and other humanitarian needs.

Although both the UN and the Iraqis have been tight-lipped about the negotiations, it is widely believed

that UN monitoring may be an obstacle for Baghdad.

Mr Douglas Hurd, UK foreign secretary, yesterday promised British support for a new international campaign to free Kuwaitis still held in Iraq after the Gulf war and warned Baghdad the west had not ruled out the use of force. Reuter adds from London.

He said Iraq's "persistent failure" to account for missing Kuwaitis and other nationals held since the 1991 Gulf war to eject Iraq from Kuwait would be raised at the UN Security Council review of sanctions.

## Kenyans close bank in bid to placate donors

By Leslie Crawford  
in Nairobi

THE KENYAN government has closed down a scandal-tainted local bank, an important step towards mending relations with the World Bank and other donors.

Exchange Bank and its sister trading company Goldenberg International were at the centre of a scandal based on "ghost exports" of gold and diamond jewellery to Switzerland and Dubai.

By forging export receipts for more than \$50m-worth of jewellery, Exchange Bank was able to bid for scarce foreign exchange at central bank auctions and obtain a 35 per cent refund from the government on its fictitious exports.

When Exchange Bank ran into trouble in May the Central Bank of Kenya bailed it out with an advance of Ks16bn (\$122m) in short-term Treasury bills. To date there is no evidence that this has been repaid.

The scandal was one of the big issues worrying the World Bank and International Monetary Fund. IMF officials, who have visited Kenya four times in as many months, had insisted that action be taken to clean up the financial system as a pre-condition for resumption of balance of payments assistance, suspended in November 1991.

On Monday a short statement signed by Mr Musalia Mudavadi, finance minister, said Exchange Bank was being closed immediately following the results of an external audit into its operations.

"Its records are not in order and not kept up to date. Moreover, there is evidence of malpractice," Mr Mudavadi's statement said. "Its management has tended to engage in speculative activities which are not only inconsistent with established banking practices but

are prejudicial to the interests of depositors and the general public."

Four other financial institutions, dubbed "political banks" due to the patronage they enjoy from high-ranking members of government, are also being subjected to external audits at the request of the IMF.

The opposition FORD-Kenya party, which has led a campaign to expose the activities of the "political banks", yesterday welcomed Mr Mudavadi's decision.

"Exchange Bank, along with a handful of other banks, threatened the fabric of Kenya's financial and economic infrastructure and are a major cause of our inflation problems," said Mr Robert Shaw, FORD-Kenya's economic spokesman.

Mr Shaw urged the government to arrest and charge the owners and directors of the bank with economic sabotage. He said government and central bank officials who aided Exchange Bank in its operations should be dismissed and prosecuted.

Mr Mudavadi, who took over the finance portfolio in January, has won the respect of foreign bankers in Nairobi for his efforts to clean up the banking system. Financial corruption lies at the heart of the political patronage enjoyed by leading members of President Daniel arap Moi's government, but foreign bankers question whether Mr Mudavadi has sufficient clout within government to force the sacking of corrupt officials.

Vice-President George Saitoti, the former finance minister who is also minister for planning and development, last month defended the operations of Exchange Bank in parliament, saying he had approved them in compliance with the law.

## LDP rival factions start to move in for the kill

By Robert Thomson in Tokyo

RIVAL faction leaders are circling above Mr Kiichi Miyazawa, the Japanese prime minister, who is supposed to resign at a meeting today of his Liberal Democratic party to take responsibility for its loss of a parliamentary majority.

The rush to replace Mr Miyazawa, who has refused to admit that he will resign, became particularly unseemly yesterday, as the ailing Mr Michio Watanabe, the foreign minister, announced that he would "stake my life" on leading the party and the country.

His comment had eerie overtones, as Mr Watanabe, whose health has clearly deteriorated in recent months, was hospitalised twice in the past year, once for a "gallstone" problem and again for a "cold".

He is widely reported to be suffering a far more serious illness.

The bickering among the LDP's five factions suggests that the party does not realise that it has lost its grip on power and must find a coalition partner to ensure that its candidate for prime minister is chosen at an extraordinary session of parliament early next month.

Mr Hiroshi Mitsuoka, the head of the party's largest faction, also wants to be the next leader, although both he and Mr Watanabe have opposed the reform of the political system and are likely to be unaccepting of most of the LDP's potential coalition partners.

Newer parties such as the Japan New party and the Japan Renewal party, itself a former LDP faction, will face criticism from members if a deal is done with an old-style LDP faction head.

A more acceptable candidate would be Mr Toshiki Kaifu, who was dumped by the LDP as prime minister two years ago after proposing political reforms similar to those now being debated.

An opinion poll conducted by Jiji, the Japanese news agency, found that 19 per cent of respondents preferred Mr Kaifu as the next prime minister, topping the 12.7 per cent of Mr Tsutomu Hata, the JRP leader, and the 9 per cent of Mr Ryutaro Hashimoto, the former finance minister.

However, Mr Mitsuoka was thought a "desirable" prime minister by only 0.2 per cent of those surveyed, and the outspoken Mr Watanabe did a little better at 1.6 per cent.

Apart from his health problems, Mr Watanabe is generally viewed as too erratic to be prime minister.



Police yesterday prepare to raid the Hyundai Precision Industry plant in Changwon city where 400 workers had barricaded themselves in the factory for three days

## Accord reached in Hyundai dispute

By John Burton in Seoul

LABOUR and management at Hyundai Motor reached a tentative wage accord at dawn yesterday as several thousand riot police gathered outside the company's plant ready to suppress a month-long strike.

The 11th-hour agreement, which is expected to be approved by the 20,000-member workforce tomorrow, is seen as breaking the back of the labour dispute that has disrupted

South Korea's largest industrial group. Hyundai Motor is the biggest of the nine Hyundai companies now engaged in some form of industrial action.

The government on Tuesday ordered that Hyundai Motor workers immediately suspend their action or face a confrontation with 10,000 riot police deployed to the car facility in the southeastern city of Ulsan.

With the government's threat to use force, labour and management quickly reached a

compromise settlement. The company trade union agreed to accept a 4.73 wage increase instead of the 16.5 pay rise it had been seeking.

In return, the company increased fringe benefits, including special allowances, higher bonuses, and housing subsidies, while offering more holidays.

Meanwhile, 1,000 police conducted a raid on the facilities of Hyundai Precision & Industry in Changwon to oust 400

workers who had barricaded themselves inside the plant for the past three days.

The government said the raid was justified because the company is a defence contractor, whose employees are forbidden by law to strike.

Although the new civilian government of Mr Kim Young-sam has promised to improve labour relations, it said its use of emergency powers to end the strike was necessary because the dispute threatened

national economic recovery. The dispute has reduced GNP growth by 0.17 per cent and cut exports by 0.33 per cent for 1993, according to the Bank of Korea, the central bank.

Hyundai estimates sales losses at Hyundai Motor, the country's leading motor vehicle maker, amount to Won350bn (\$325m), followed by Won18bn at Hyundai Precision & Industry and Won9bn at Hyundai Heavy Industries, its shipbuilding unit.

## Nigerian poll talks boycotted

PRESIDENT Ibrahim Babangida's plan to re-run Nigeria's presidential elections on August 14 was set back yesterday when the Social Democratic party boycotted a meeting called to arrange the poll, writes Paul Adams in Lagos.

The SDP decision comes as the rift widens between the military government and an increasingly critical judicial system and the press. General Babangida this week banned recourse to the law courts by opponents and threatened more curbs on press freedom. There is increasingly bold criticism of the annulment of the

June elections by elder statesmen and active politicians of both parties, and detailed press reporting of divisions and indecision within the ruling military hierarchy.

Yesterday's meeting had been called by the National Electoral Commission (NEC) under a new chairman, Professor Edeat Uya, responsible for organising fresh elections. So far only one party is prepared to take part, the National Republican Convention (NRC), which claims its poor showing in June was because the polls were flawed and accuses the SDP of using illegal tactics.

The SDP candidate, Mr Moshood Abiola, who had a clear lead when counting was stopped, says fresh elections are unjustified. Mr Abiola has taken the government to the high court in Lagos to restrain it from holding fresh elections, and applied to the Supreme Court to overrule the annulment of the 12th June polls.

However, one of the four recent military decrees seems to have deprived Mr Abiola of legal recourse by depriving the courts of jurisdiction in suits challenging the poll annulment.

Critics of the government

say the new timetable is impracticable and the SDP has warned that any attempt to hold elections in Lagos and other big cities of the south-west, heartland of Mr Abiola's support, will lead to violence.

Former head of state Oluksun Obasanjo and other retired civilian and military leaders have twice in the past week condemned President Babangida's manipulation of the electoral process, coupled with warnings of catastrophe for Nigeria if the government continues on this course.

## Somalia aid goals at risk, warns UN official

MR Jan Eliasson, a senior United Nations relief official, complained yesterday that UN members were spending at least 10 times as much on their military operation in Somalia as they were on aid, Reuter reports from Geneva.

In a rare criticism of the UN operation by a high-ranking UN official, Mr Eliasson warned that the original aim of sending troops to Somalia - to protect aid - risked being forgotten.

Mr Eliasson, UN under-secretary-general for humanitarian affairs, told officials in Geneva that donor nations had given less than 15 per cent of the \$160m (\$110m) needed for relief and rehabilitation in Somalia this year. "As a comparison, approximately \$1.5bn will be spent on military operations in Somalia over a period of 12 months," Mr Eliasson told the UN's economic and social council.

"In other words, due to the security needs, the international community is spending \$10 on military protection for every dollar of voluntary humanitarian assistance in Somalia, even if the 1993 relief and rehabilitation programmes were to be fully funded."

Mr Eliasson added: "Unless sufficient funds are provided for rehabilitation activities, there is a risk that the military operation can be perceived as an end in itself, rather than as a means of ensuring security for rehabilitating the country's infrastructure and forging reconciliation."

Mr Eliasson's criticism follows complaints by Italy, which fields the third-largest contingent in the UN, of a lack of consultation by the organisation with those countries providing troops.

### NEWS IN BRIEF

## Moves to cool China's economy slow HK growth

MOVES to damp economic activity in China will lop about 1 percentage point off Hong Kong's economic growth next year, Mr Hamish Macleod, the colony's financial secretary, said yesterday. Simon Holberton reports from Hong Kong.

He said he accepted predictions by private economic forecasters that the colony's growth would be affected by the measures announced in China to deal with overheating. However, he stood by his March budget forecast of 5.5 per cent growth in gross domestic product for 1993. He would not make a 1994 prediction but most forecasters expect about 4.5 per cent.

### Mubarak set for third term

President Hosni Mubarak of Egypt was last night nominated unopposed for a third six-year term as the country's leader, Mark Nicholson writes from Cairo.

The parliamentary vote was a formality as 98 per cent of the 454 elected members of the People's Assembly have already sworn their support for his nomination.

His nomination must now be endorsed by a referendum in October, when he will need a simple majority of votes cast. This too is expected to be little more than a formality; he secured 97 per cent of the vote last time.

### Floods spread in northern India

India's north-eastern states were cut off from the rest of the country yesterday as floods, which have caused the deaths of more than 500 people in the north and west, spread to new areas, Reuter reports from New Delhi.

United News of India agency said army and air force personnel were trying to restore railway links in the north-east, broken on Tuesday night after a railway bridge was washed away in West Bengal. The only highway linking Assam to Bengal and the Indian mainland was also under water, it said.

### Pakistan denial over Chinese missiles

Pakistan denied yesterday it had received long-range M-11 missiles from China, which faces possible sanctions by the US for its weapons exports. Reuter reports from Islamabad. China has repeatedly denied the sale of M-11 missiles to Pakistan and yesterday told the US to stop making an issue of its weapons exports.

US officials said earlier in the week in Washington that the administration, which two months ago renewed favourable trade benefits for China, planned to warn Beijing it could face sanctions. They said the issue, involving mounting evidence that China was shipping M-11 missile technology to Pakistan, would be raised by Mr Warren Christopher, secretary of state, when he met the Chinese foreign minister, Mr Qian Qichen, on Sunday in Singapore.

### Tajik rebel attack injures Russians

Rebels operating from Afghanistan shelled a border post in Tajikistan on Tuesday night, injuring at least two Russian soldiers, the commander of Russian troops in the former Soviet republic said yesterday. Reuter reports from Moscow.

He told local journalists that the rebels, who fled to Afghanistan last year after being defeated in a near civil war, had shelled the southern 10th border post.

The two injured men were serving with the Russian 201st motorised infantry division, which has been pressed into action to help border guards and Tajik troops deal with the rebels.

Moscow reacted swiftly after a big rebel attack last week in which 25 border guards were killed, sending in troop reinforcement and structure to help counter the attacks.

Russia's Itar-Tass news agency reported serious clashes in the mountainous frontier was "extremely serious".

## Violence pervades path of progress

Patti Waldmeir says western-style democracy may not solve South Africa's problems

THERE is a simple explanation for violence in South Africa: the African National Congress and the Inkatha Freedom party are fighting for power ahead of the first multi-racial elections, while the police either exacerbate or at least fail to halt the killing.

If only the truth could be as simple as the explanation.

For the real causes of violence are manifold and baffling, to insider and outsider alike, but certainly politics is only part of the problem.

Depending on the township, or hostel, or rural area where violence takes place, "the problem" can involve everything from a negligent or frightened police force, to right-wing provocation, from commercial rivalry over taxi routes to ethnic hostility.

At Port Shepstone, on Natal's palm-fringed Indian Ocean coast, where well over 200 people have died since South African politics were liberalised four years ago, the

clash involves two centuries, two generations, two forms of culture - every bit as much as the two standard political contestants, the ANC and Inkatha.

While the white town of Port Shepstone, 100km south of the port of Durban, looks like any other small rural town in the industrialised world, the hinterland is Africa: traditional Zulu chiefs rule by a strict tribal hierarchy inherited from the great Zulu kings of the 19th century - and the standard of living recalls the last century, as much as the political structure.

Everyone agrees that the trouble in Port Shepstone - which began with the 1988 killing of an "induna" or village headman, by radical young men who challenged his authority - did not begin as a political conflict.

Armstrong Zondi, one of the angry young men involved in the 1989 violence, says the flashpoint was the local induna's decision to levy a R36 annual charge on every youth

over 16 - a crippling charge in an area with little youth employment, viewed as simple extortion by the local community which accused the induna of corruption.

Armstrong admits that the youths "necklaced" the induna

The causes of violence are manifold, but politics is only part of the problem

he burnt to death after having a flaming tyre placed over his head, causing the local "nkosi" (chief) to flee in terror. The community then elected a local council to replace the banished tribal authority.

Since then, the chief, Nkosi Ndwalani has fought back with a vengeance, returning to his seat with arms, and engaging

in a conflict which has left scores dead on both sides: radical youth, exposed to more modern ideas of egalitarianism, have fought men like the chief, whose vested interests incline them to protect the traditions of an ancient culture.

Inevitably, the political parties have weighed into the battle, with the young "comrades" supporting the ANC (and receiving its backing), and their elders operating under the banner of the traditionalist Inkatha party (which controls the government of the Kwa-Zulu black homeland, the authority which appoints the chiefs and pays their salaries).

The two sides called a truce late last year until the April assassination of ANC leader Chris Hani raised temperatures once again. Now the murders have started again.

Nkosi Ndwalani, holding court in his home atop a steep hill with fine sea views, says the problem is simple. "Where the people accept my role as tribal authority, there is





# Paris to wheel out big trade guns for EC

By David Buchan in Paris

FRANCE is planning to present proposals before the end of this month which would give the European Community similar weapons against unfair trade to those of the US, a senior French official said yesterday.

The government of Mr Edouard Balladur is expected to finalise next week proposals aimed at making EC anti-dumping procedures "more rapid and automatic and less prone to political interference", while also broadening the Community's scope to take unilateral action against unfair trade practices.

They are likely to dispel any impression that France has "gone soft" on the Uruguay Round trade talks following its acquiescence in the June agreement between the EC and the US to set a limit on European oilseed production and in this month's agreement among the G7 countries on tariff cuts to present to other Gatt partners in Geneva.

France also plans to make new farm trade proposals in early September in advance of the special joint council of EC foreign and farm ministers that it has requested. The government still hopes enough of its Community partners will realise that last November's Blair House agreement with the US needs renegotiating.

On French calculations, the deal would cut the EC share of world cereal exports from 15 to 8 per cent over six years. France also complains that Brussels has yet to make provision for imports of 2m extra tonnes of cereals and some 700,000 tonnes of meat which Washington claims the EC would have to take in as a result of the Blair House deal.

The thrust of the French plan to make Europe's "commercial defences" more like those of the US would:

- Set a strict timetable for the Commission to follow in receiving anti-dumping complaints, opening inquiries, and imposing provisional duties.
- The Commission would have less discretion to set aside, or delay, dumping investigations on political grounds as Paris complains it has done in the case of steel imports from eastern Europe.

- Give the Commission less discretion to end dumping investigations by accepting promises from exporters to raise their prices in the EC market.

- Remove the reference to Gatt procedures in the EC's 1984 legislation which effectively means the EC can only retaliate unilaterally against non-Gatt member countries. Without this clause the EC would have the equivalent of the US's retaliatory Paris 301 at its disposal, Paris believes.

## Japan snips at red tape on building supplies

JAPAN'S construction ministry is making it less difficult for foreign companies to enter the country's building materials market, an official told Reuters in Tokyo.

Complex quality controls have made builders reluctant to use foreign products in public works projects. They have had to check whether they

cleared the Japanese Industrial Standard and then apply for ministry approval. Materials had to be checked at the construction site.

In future, contractors can entrust testing to two of the ministry's affiliated research and testing organisations. The two will then issue certificates to the contractors.

## Joint venture hangs on lifting of embargo by Clinton administration

# Coca-Cola signs \$24m Vietnam deal

By Victor Mallet and William Barnes in Bangkok

COCA-COLA has struck a \$24.5m (£16.3m) deal to produce soft drinks in Vietnam as soon as the US trade embargo is lifted, challenging its rival Pepsi-Cola in the struggle for a fast-developing market of nearly 70m people.

A contract to form a joint venture has been signed by Coca-Cola Indochina, a company comprising bottlers F&N Coca-Cola of Singapore and Thai Pure Drinks, and Chuong Duong Beverage Factory, a former Coca-Cola bottler now

controlled by the ministry of light industry.

The money will be spent only if the Clinton administration lifts the embargo, which could happen before the end of the year. US companies are already allowed to sign - but not execute - Vietnamese contracts, and this month Washington stopped blocking Vietnam's attempts to borrow from the International Monetary Fund and other multilateral lenders.

Much of Coca-Cola's investment will go towards modernising Chuong Duong's factory in Ho Chi Minh City.

More than 500m bottles of Coca-Cola a year were sold before the north's war with the US and its south Vietnamese allies.

Pepsi-Cola and its partner International Beverage Company, a combination of Singaporean investors and Vietnamese local government organisations, have already announced plans for a \$10m investment in Vietnam.

Pepsi officials say they could start production at a modern Ho Chi Minh City factory within two weeks of the embargo being lifted; IBC already pro-

duces Cadbury Schweppes carbonated drinks at the plant.

Miss Vietnam, 17-year-old Ms Ha Kien Anh, is to feature in Pepsi television commercials that will be shot soon in Bangkok.

Pepsi has stolen a march on Coca-Cola in establishing bottling facilities in both Burma and Cambodia, but Coca-Cola is a better known name than Pepsi in much of south-east Asia, especially Vietnam.

Thousands of cases of canned Coca-Cola are smuggled into Vietnam and Cambodia from neighbouring countries.

## Few trade disputes are hard as steel

# Nancy Dunne finds that one company's protection could be another's ruin

THE WORK stations in the factory's tool and die room are decorated with American flags. One also bears a slogan: "Don't mess with the USA. Defend fire-arms."

This apparent fount of US chauvinism produces millions of tiny steel motor vehicle fixtures a year, some so precise that they have a permissible error margin less than half the width of a human hair. The star of the shop's many production lines - a spark plug gasket - is judged so superior that it has captured nearly 100 per cent of the US market and 15 per cent of Europe's.

The shell of H.K. Metalcraft of Lodi, New Jersey, is as meticulously crafted as its products. It is cavernous, dazzlingly white with a single blue stripe like a belt around its middle.

Safety and quality awards hang in the factory's reception area along with a large photograph of its 52 beaming employees.

In the US there are thousands of small parts producers such as Metalcraft, employing some 6m-8m workers. Mr Raymond Hopp, the president, is one of those entrepreneurs President Bill Clinton wants to encourage with tax breaks, manufacturing centres and other government incentives.

But Mr Hopp is discouraged and dreading next year when the imported steel he uses may be either unavailable or more expensive. He is one of the 1,200 members of the Precision Metal Association, which rep-

resents the US metal-forming industry and uses half the flat-rolled steel in the country.

Flat-rolled prices have been rising since the US Commerce Department last year began to investigate complaints from domestic steel producers that imports from 19 countries have been subsidised or dumped - sold at "less than fair market value".

If on July 27 the International Trade Commission of the US finds that the imports have damaged American steel companies, then tariffs of up to 100 per cent will be made permanent, and domestic prices will climb still higher.

Small steel users claim they employ more than 30 workers for every worker employed by the giant steel companies, whose job may be saved by the dumping and countervailing duties. But the small companies have little presence in Washington, where massive layoffs from the giant steel companies have attracted the most attention.

In an attempt to raise the profile of small companies such as Mr Hopp's, 1,400 small steel using companies have joined with steel traders of the American Institute for International Steel; Nucor Corporation, the successful mini-mill steel producer; and Rockwell International, the aircraft man-

ufacturer, to form the Coalition of American Businesses for Stable Steel Supplies.

Mr Jon Jensen, the coalition spokesman, insists that steel imports are bought for quality rather than price and are, in fact, purchased at prices higher than those charged by domestic producers.

buy to replace imports is often rusty on arrival.

Because he has contracts with a steel service centre, Mr Hopp has yet to suffer extensively from the new tariffs and duties but next year those contracts will expire. If imports are less accessible, his business could suffer. For one product

"Almost all imported steel purchased by PMA members is high precision product not manufactured by US steelmakers," he says.

He cites one example after another of companies injured by the steel tariffs: an east coast manufacturer of baseball cleats (grip studs under baseball shoes) forced to rely on lower quality American steel; a Midwestern maker of electric wares whose steel prices have risen 10 per cent; a California car parts manufacturer who says that the US steel he must

he uses a high quality Japanese steel required by the customer - a Japanese "transplant" vehicle supplier.

For another he uses an imported high carbon steel, manufactured by only two companies in Europe. It too is specified by his customer, a domestic vehicle producer.

And US car companies are now "fussy, intolerant of error because their customers are intolerant of poor quality".

He is sceptical about the dumping and countervailing duty regime, observing that

every country subsidises in one form or another, and companies must adapt.

"The product that made 50 per cent of our business in 1974 makes up 2 per cent of our business today. We were making standard washers, and the Japanese put us out of business. Then the Koreans put them out of business, and the Taiwanese put them out of business, and the People's Republic of China put them out of business."

"That was a low-tech item. We have had to develop products which require intellectual property. We have had to price the products aggressively. We have had to compete, stay up to date, and continuously adapt to new processes and conditions," says Mr Hopp.

The only way he can adapt to the tariffs, he says, is to lay off two or three workers. These are the good, high paying jobs Mr Clinton promises to create. Highly trained by the company, most Metalcraft workers can perform at least three jobs, when needed.

The average worker has been with the company for 10.5 years, receiving bonuses at the end of profitable years.

Mr Hopp believes that if steel prices continue to rise he will lose the European market share he struggled to gain over six years as well as some of his American customers. Sales last year were \$3m (£5.3m) and could rise to \$9.5m-\$10m this year. Mr Hopp says he could add jobs if he were not "constrained in an artificial way".

## Gatt to work for entry of Saudis

THE ruling council of the General Agreement on Tariffs and Trade yesterday agreed to work for early admission of Saudi Arabia as a full member after the kingdom's application won support from Middle East and Asian states, Reuters reports from Geneva.

The decision to set up a panel to study the Saudi request was taken at a session during which other Moslem countries argued that Saudi entry would help the organisation move towards its declared aim of bringing in all the world's trading states.

The day-long meeting was expected to be dominated by a long-running dispute on banana imports into the European Community which has divided producer countries into rival blocs and split the EC itself.

The banana dispute, which sets African, Caribbean and Pacific (ACP) countries against Latin American states, was heightened last month when a Gatt panel found that EC policies on importing the fruit violated the world trade body's rules.

The EC favours imports from ACP countries, mainly former colonies or overseas territories of France and Britain, and sets quotas on supplies to its 12 member states from Central and South American states.

At a Gatt council meeting last month, the EC blocked adoption of the panel report, approval of which would in theory have obliged it to alter its legislation or seek a special waiver from Gatt.

But since then it has introduced new rules, imposing a tariff quota of 2m tonnes a year on non-ACP imports.

### Correction

#### Intra-Asian trade

THE table accompanying the article on intra-Asian trade on the World Trade page on July 20 should have shown values in \$bn, not \$m.

### CONTRACTS & TENDERS

#### ALBANIA

#### CRITICAL IMPORTS PROJECT - IDA CREDIT 2404 - ALB

The Government of Albania has received a credit from the World Bank towards the cost of the Critical Imports Project and now invites sealed bids from eligible bidders for supply of the following items through International Competitive Bidding under World Bank Procurement Guidelines:

##### a) Contract MOH/148/93

- |                        |                            |                               |
|------------------------|----------------------------|-------------------------------|
| - Antibacterials       | - Antiepileptics           | - Hormones and antihormones   |
| - Antihelmintics       | - Analgesics non opiodides | - Insulins                    |
| - Antifungal drugs     | - Antidotes specific       | - Miotics and mydriatics      |
| - Antiparasitic drugs  | - Antiparasitic drugs      | - Oxytocics                   |
| - Antitubercular drugs | - Antitubercular drugs     | - Radioccontrast media        |
| - Adrenal hormones     | - Cytotoxic drugs          | - Thyroid hormones            |
| - Diuretics            | - Diuretics                | - Drugs affecting coagulation |
| - Diverse needles      | - Diverse needles          | - Sarseng immunoglobulins     |
| - Surgical gloves      | - Raw materials            | - Miscellaneous               |

Cost of bidding documents: USD 250. Bid submission deadline and public bid opening date: September 9, 1993, 12:00 midday.

##### b) Contract MOA/113/93

- |                               |                                    |
|-------------------------------|------------------------------------|
| Lot 1                         | Lot 2                              |
| Antibiotics and other drugs   | Chemicals and Diagnostic Materials |
| for veterinary use (12 items) | for veterinary use (45 items)      |

Full details of the required under items a) and b) above can be obtained, free of charge, by fax or telex from the Project Implementation Unit, Ministry of Finance and Economy at the numbers shown below.

Cost of bidding documents: USD 250. Bid submission deadline and public bid opening date: September 10, 1993, 12:00 midday.

Bidding Documents are now available from the Project Implementation Unit, Ministry of Finance and Economy, and can be obtained from the same on submission of a written application and upon payment of the mentioned non refundable fee into the account no. 4561/107/01, maintained by the PIU at the National Commercial Bank of Albania (formerly Albania Commercial Bank), Tirana - Albania.

Further information can be obtained from:

THE WORLD BANK CRITICAL IMPORTS PROJECT IMPLEMENTATION UNIT, TIRANA - ALBANIA  
Mr. Agim Hado  
Phone: +355 42 27938  
Fax: +355 42 27941  
Telex: 4295 komplan AB

### STRUCTURAL ADJUSTMENT LOAN



#### GENERAL PROCUREMENT NOTICE

Loan number 3481-RO

The Government of Romania has received a loan from the World Bank to support a program of actions, objectives and policies designed to achieve structural adjustment of the economy. The funds would be used to finance the procurement of various imported goods in accordance with the World Bank's Procurement Guidelines. At present, it is intended to procure with the proceeds of this loan, 250,000 mt of crude oil.

Firms interested in participating in international competitive bidding for supplying this commodity are invited to register their interest not later than 26th of July 1993, by writing to:

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1-3 Magheru Blvd., Bucharest, Romania  
Phone (40-1) 613.30.45 Fax (40-1) 615.65.50 Telex (11519) Petex R  
Cable: Petolexportrimp S.A.

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# Chancellor hails UK economic recovery

By Peter Norman and Emma Tucker

BRITAIN is experiencing an "all round recovery" Mr Kenneth Clarke, chancellor of the exchequer, said yesterday as new figures confirmed rising business activity among retailers and a narrowing trade gap. Growth this year, however, would not suffice to cut the budget deficit as much as needed, Mr Clarke warned.

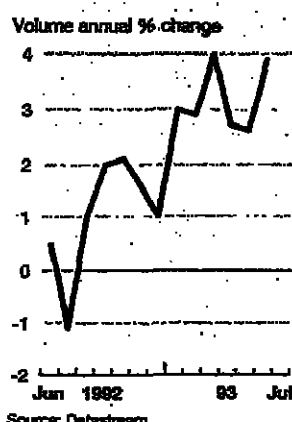
In a two hour session before the House of Commons Treasury and Civil Service Committee, Mr Clarke said the size of the deficit - estimated by the Treasury in March at £50bn in 1993-94 - was "the biggest single thing" that he had to tackle.

It would require "further government action". Unless the deficit was reduced, recovery would be constrained and it might be difficult to keep interest rates down, he said.

The chancellor's remarks were a clear indication that the government is considering raising taxes while limiting public expenditure in its first unified budget in November.

But although the chancellor yesterday disclosed that the Budget would be on November 30, he told the committee that he had not yet started to think about its specific contents. However, he said that it was a Conservative Party preference to have indirect taxation take a bigger share of the tax burden than direct taxes.

## UK retail sales



Mr Clarke was careful not to sound euphoric about Britain's present economic performance, at one point describing the recovery as "incipient". But his testimony to the committee, came at the end of a fortnight of favourable economic indicators and shortly before provisional figures due out tomorrow, which are expected to show good growth in gross domestic product in the second quarter.

Figures yesterday showing a surprisingly strong jump in retail sales and strong export growth added to evidence that the UK recovery is not as vulnerable as initially expected.

Seasonally adjusted retail sales volumes rose 1.3 per cent in June to register a 3.9 per cent increase on the corre-

sponding month last year, the Central Statistical Office reported.

Other official figures showed that the value of exports to countries outside the European Community jumped to their highest ever levels last month, reducing the non-EC trade deficit to £513m, the narrowest since July 1991.

The figures added to sterling's strength with the pound closing 1/2 of a penny higher against the D-Mark at DM2.5725. Against the dollar it was more than a cent higher at \$1.5145.

Several MPs on the committee asked Mr Clarke if he was worried that sterling's recent rise would hurt recovery. But the chancellor appeared unfazed. The pound's rise since he took office had been "modest", he reflected, "underlying economic reality" such as the healthier performance of the economy, he said.

He denied he was seeking to push sterling higher to control inflation. Instead, he said he favoured a period of stability in European currencies, including the pound.

Yesterday's economic news failed to enthuse the stock market, partly because investors saw less chance of an early interest rate cut. The FTSE 100 share index dropped 9.8 to 2814.1 with dealers reporting that they were waiting for the good news on the economy to show up in company results.



Richard Caborn, committee chairman, calling yesterday for a fivefold subsidy increase to compete with overseas manufacturers

## State aid urged for aerospace industry

By Daniel Green

BRITAIN'S aerospace industry could suffer "irreversible damage" without more Government support, a cross-party committee of MPs said yesterday.

The Commons trade and industry committee said aerospace was falling victim to heavily subsidised competitors from other countries, and Mr Richard Caborn, its Labour chairman, called on the government to multiply its aid to the sector five-fold to £100m.

The report said the UK's

aerospace industry sales grew at 1.5 per cent a year between 1980 and 1991, less than half the rate of its main industrial rivals. France had overtaken the UK to occupy the number two position behind the US.

Without extra government help, "there is the possibility of a gradual loss of market share as its technologies are surpassed by competitors," the committee said.

The committee made 19 recommendations, including that the Department of Trade and Industry conduct a regular survey of the level of state aid

for aerospace compared with support overseas.

Other recommendations include:

- that the DTI fund more prototype development.
- that the government consider providing launch aid guarantees and defer payment to help companies which develop products without launch aid.
- that the government and aerospace industry together compile a national technology acquisition plan for both military and civilian needs.
- that parliament debate the

MoD's proposed purchase of a US military transport aircraft, rather than a European alternative, to replace the RAF's Hercules.

The report also called for a study on how to assist conversion of defence resources to civil use.

The Society of British Aerospace Manufacturers said the report's recommendations "reflect the solid consensus operating within the industry."

The Ministry of Defence and the Department of Trade and Industry said they would be studying the report.

## Government vulnerable if treaty lost ● EC concern at German legal challenge ● UK result may hinge on 11 votes

### Commons defeat could be fatal for embattled prime minister

By Philip Stephens, Political Editor

HE CANNOT afford to lose. The Maastricht Treaty will survive a government defeat in today's Commons vote on the social chapter. The same cannot be said with confidence of Mr John Major.

Defeat could come in more than one form. Enough MPs might support Labour's amendment demanding that British ratification is delayed until Mr Major embraces the social chapter. A majority might

vote down the government's own motion asking for parliament's approval to complete the process.

But the treaty would remain recoverable - through another vote in the House of Commons, through a confidence motion which would force Tory Euro-sceptics into line or through some combination of both.

The battle might drag on until the autumn but of one thing the cabinet is certain: however difficult ratification might prove the government could not survive abandonment of the treaty. But speculation about the

constitutional and legal manoeuvring which would follow a defeat - much of Labour's rhetoric about the "will of parliament" smacks more of opportunism than constitutionalism obscures the central political point.

Maastricht is Mr Major's treaty. It was once his triumph. The social chapter opt-out he negotiated for Britain was part of that now-tarnished victory. If he cannot now command a majority for it in the House of Commons, his own already much-diminished political authority

could evaporate completely.

The parliamentary battle over Maastricht has dragged on now for 15 months, widening and deepening the wounds which Europe has always inflicted on the Conservative party. In the process Mr Major has lost much of the instinctive respect that Tory backbenchers traditionally accord their leaders.

No-one expects that a defeat today would trigger an immediate crisis for Mr Major's leadership - particularly if it is followed by the expected government victory in any confi-

dence vote. But the prime minister would be still more vulnerable to another outbreak of Tory panic in the autumn.

Within a few days the Christchurch by-election is expected to paint another devastating picture of the government's unpopularity in the country. Mr Major can then claim the refuge of the long summer parliamentary recess - and hope that the strengthening economic recovery reflects his leadership.

But he should not underestimate the level of disenchantment in his

own party. His administration is perceived from within to lack coherence and direction. His enemies are not alone in talking about the possibility of a different leader.

So tonight he must win. He might well. Despite the seemingly impossible parliamentary arithmetic thrown up by the combined forces of the opposition parties and the Euro-sceptics, the mood at Westminster suggested that somehow the government would find enough votes to escape through. Mr Major cannot afford to admit other options.

## Major talk of the town in Brussels

Lionel Barber on the diversion presented by Britain's treaty wrangles

THE fate of Mr John Major's premiership has become the topic of speculation far afield from Westminster.

Even in Brussels, where the embattled prime minister has sought to portray himself as a good European, his future is the subject of debate on the cocktail and caviar circuit.

A recent inquiry by one Scandinavian diplomat was typical. "When will Mr Major go?", he asked, "and who will replace him?"

Speculation on the future of Britain's prime minister has captured the imagination of diplomats and enabled them to divert their attention from three unpleasant truths.

The first is that less than two months after Danish voters gave new life to Maastricht, the treaty is once again in difficulty. Whatever the outcome of today's House of Commons vote, Lord Renshaw's UK High Court challenge to the treaty could delay final ratification until late autumn.

Mr Douglas Hurd, UK foreign

secretary, hinted at further delay after a routine meeting of EC foreign ministers in Brussels last Monday. But he also pointed out, gently, that Britain was not alone; Germany, too, faced legal problems with the treaty.

Most EC leaders have been too polite to allude to the hearing before the Federal Constitutional Court in Karlsruhe on whether Maastricht conforms with German's post-1945 constitution. Many preferred to ignore it.

It is slowly dawning on the European Commission that the legal challenge in Karlsruhe is serious. Perhaps the most important question is how Article 20 of the Basic Law, which says that "all state power is rooted in the people", can be reconciled with a treaty which transfers some of this power - the part dealing with economic and monetary policy - to new European authorities of limited democratic accountability.

The German court action leads to the third truth.

Assuming that the treaty is not derailed in the UK or Germany, Brussels has a new deadline for ratification: January 1, 1994, which coincides with the second stage of economic and monetary union as set out in Maastricht.

The data, however, is a full 12 months after Maastricht was originally due to come into force. Earlier threats that the UK and (then) recalcitrant Denmark risked being cut loose by the rest of the Community unless they completed Maastricht ratification by July 1, 1993, now look rather empty.

What is striking is how the recrimination of 1992 has evaporated in 1993. A mood of sullen resignation permeates Brussels, best captured by Mr Delors. Laid low with sciatica, he has been unusually subdued, though this week's dawn deal on regional aid with the member states shows his appetite for the big occasion.

Finally, there is the social chapter. Many Europeans won-

der how Mr Major can ignore a House of Commons vote in favour of an amendment which supporters claim would nullify the Maastricht treaty opt-out won by Britain.

All EC member states believe ratification of the treaty is more important than Britain accepting the social chapter. But if Maastricht is ratified, Britain's absence from social policy negotiations will become highly contentious.

Mr Zygmunt Tyszkiewicz, secretary general of Unice, the European employers confederation, argues that Britain has traditionally moderated EC social policy risks. Its absence could mean that the 11 will press far ahead of what business wants or needs.

Mr Tyszkiewicz wonders whether Mr Major's social chapter opt-out will look so smart in, say, five years time, when a future UK government, may decide to return to the table, and Britain would have to accept a body of EC social legislation upon which it had no influence.

## Rebel votes could defeat government

THE stark parliamentary arithmetic still looks against the government for tonight's vote, writes Alison Smith.

In theory, the Conservatives should be able to rely on 332 MPs, giving them a majority of 18 over all opposition parties. Since Sir James Kilfedder, the Ulster Popular Unionist, MP has said he will vote with the government tonight, the majority rises to 20.

On this basis, it would take only 11 Tory rebels to vote with the opposition to defeat the government.

Almost all the opposition parties have a clear interest in voting against the government. Labour itself it makes up 269 of the total. The 21 Liberal Democrats are set to line up with Labour, along with the four Plaid Cymru MPs; the four Social Democratic and Labour Party MPs; the three Scottish Nationalists and the three Democratic Unionists.

The unknown factor is the decision of nine Ulster unionist MPs who are thought to be discussing a government deal.

## Attention focuses on social chapter

By David Goodhart, Labour Editor

THE SOCIAL chapter of the Maastricht Treaty, the subject of today's vote, significantly reduces the scope of national veto in employment matters by extending qualified majority voting to subjects such as working conditions and worker consultation.

Without its opt-out the UK government could have been forced to accept directives on issues such as the introduction of works councils for informing workers in multinational companies.

The introduction of such works councils is likely to be the first issue to be agreed by the 11 social chapter countries, excluding Britain.

At least 100 UK multinationals are likely to be affected by the works council directive through their subsidiary operations in continental Europe.

The chapter includes another list of areas - such as social security, protection of workers

when dismissed, and employment conditions of third country nationals - which will continue to be subject to unanimous voting and which has thus caused the British government little difficulty.

Probably the biggest objection of all is to Article 118a of the Treaty, which for the first time in any international treaty strongly endorses collective bargaining.

The Article insists not only that the unions and employers are consulted on the content of directives but that in some circumstances they can draw up and implement directives through legally-backed collective bargaining.

This would probably have no direct effect on the UK as the country does not have the appropriate bargaining institutions. But it shows why the government in London which, alone in the EC, strongly backs labour market deregulation and has severe doubts about collective bargaining finds the social chapter difficult to stomach.

## Britain in brief



### British Coal unveils losses of £588m

British Coal warned that more pit closures were inevitable as it unveiled losses for last year of £588m and the outlined its most pessimistic prognosis yet of coal sale prospects. Mr Neil Clarke, chairman, said if electricity generators ran down coal stocks at the levels they had indicated, there would be no room in the market for more than about 8m tonnes over the next two years.

### Elstree Studios set to close

The credits are rolling at Elstree Studios. After more than 20 years of financial crises, changes of ownership and rescues, the British Hollywood, in the unlikely setting of Borehamwood, Herts, a million miles from Sunset Boulevard, is to close.

Elstree's owner, Brent Walker, the property and leisure group struggling under £1.3bn of debts, said that the facilities had been "substantially underutilised over the last three years".

### Acid rain deal compromised

An international compromise on new acid rain targets could be jeopardised by the government's desire to protect demand for British coal.

A cabinet committee meeting has agreed that in negotiations next month Britain would push for only a 70 per cent cut in sulphur emissions from power stations, a lower target than it had previously indicated. Other countries such as Germany and Norway will back tougher targets of up to 90 per cent cuts when they meet in Geneva to negotiate a new protocol for the European Commission for Europe, which includes most European countries, the US and Canada.

### Revenue owes £800m rebates

More than 6m people have failed to claim back some £800m owed to them by the Inland Revenue, according to the House of Commons Public Accounts Committee. The money consists of refunds on tax paid on savings accounts since the abolition of composite rate tax in April 1991.



Sir Samuel Brittan, an assistant editor of the Financial Times, was knighted by the Queen yesterday for services to economic journalism.

## PEOPLE

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### LET in and LET go

SPP, the Swedish life group, has reorganised the management structure of its international property portfolio so as to integrate its UK subsidiary London & Edinburgh Trust, which incurred a loss of £448.6m in 1992, more closely into its investment division. The regional holding company boards have been replaced by a divisional structure.

Nicholas Sheehan is chief executive of the UK Property division; Gerald Kaye is chief executive of the Continental Europe Property division; David Sherwood is chief executive of the North America Property division and Charles Saunders chief executive of Pacific Property division.

A group of former LET executives have formed Bawn Management, a property management consultancy. Bawn Management will be chaired by Andy Blackburn, a former director of LET Retail, and its board will include Peter Beckwith, the founder of LET, and John Newman, who recently resigned as head of LET Retail.

### A bigger bite of the burger for Adamson



James Adamson, appointed chief operating officer of Grand Metropolitan's Burger King worldwide operations, in August last year, steps up to chief executive officer.

He succeeds Barry Gibbons, who remains chairman of Burger King, but will now undertake a broader management role, working with Ian Martin, GrandMet's chief operating officer, on international brand development.

Gibbons, former chairman and managing director of

GrandMet retailing, masterminded the restructuring of the US fast food chain after its acquisition in the 1988 takeover of Pillsbury. He is a member of GrandMet's strategic operations committee, and has been tipped as a future main board director.

Adamson (above) joined Burger King, which now operates 6,800 restaurants in 48 countries, at the end of 1991 from Revco, the US retail drug store chain, where he was executive vice president, marketing.

As president of BK's business in the US, he was responsible for improvements in service, marketing and profitability in the company-owned US outlets and in the past year has led BK's expansion into new overseas markets.

In addition to his present worldwide operational responsibilities, he will now assume overall management of marketing, finance, quality assurance, and legal, personnel and external affairs.

### Fisons slims

Cedric Scroggs, chief executive of Fisons, the pharmaceuticals and scientific equipment company, has abolished the position of managing director of the scientific equipment division.

Scroggs, who headed the division for 11 years, has decided the three businesses - Curtin Matheson Scientific in the US, Fisons Scientific and Fisons Instruments - enjoy little synergy and there is little point in having an additional layer of management to deal with them.

Robert Lankester, 51, managing director of the scientific equipment division, has therefore resigned from the company and the board.

Lankester joined Fisons in 1982 as group financial controller, and became chairman of the horticulture division, now in the process of being sold, in 1989. He was made managing director of the scientific equipment division in April 1992.

There will be a handful of redundancies at Fisons' HQ and the heads of the three business units within scientific equipment will report to Scroggs.

### Non-executive directors



Martin Broughton (above), chief executive and deputy chairman of BAT Industries, a member of the CBI Economic Affairs Committee and the Urgent Issues Task Force of the Accounting Standards Board, WHITBREAD.

John Urquhart, vice-chairman of Enron Corp which, along with ICI and four regional electricity companies, recently built a chip plant at Teesside, at the WEIR GROUP.

Christopher Bostock has retired from LEARMONTH & BURCHETT.

Frank Barlow and Mark

Burrell at THAMES TELEVISION following its acquisition by Pearson.

Michael Metcalf, Jim Fifield and Simon Duffy have resigned.

Jon Pither has retired from HARTONS GROUP.

Colin Menton has resigned from XTRA-VISION; he is succeeded by Sal Perisano, the chief executive.

Kenneth Coates, chairman of Meggitt, at LONDON ATLANTIC INVESTMENT TRUST; Peter Wroford has retired.

Frank Midmer at SOUTHERN WATER on retiring as group technical water; Brian Thorpe is retiring.

Herbert Brewer has resigned from TRITON EUROPE.

Ralph Platt as chairman of RELYON having retired as md.

Ian Topping at LINCOLN HOUSE having stepped down as chief executive on his appointment as md of Relyon Group.

Brian Baillie at P&O Australia and as deputy chairman of P&O Asia having retired as an executive director of P&O.

Handwritten signature: "John Smith"



Cinema / Stephen Amidon

# From Twin Peaks to a trough of tedium

As one of the principal writers of *Twin Peaks* and *Blue Velvet*, Mark Frost was responsible for some of the more daring and accomplished work to hit the small screen in recent years. It is therefore a surprise and a disappointment that his movie debut, *Storyville*, should be an anaemic formula thriller, lacking the dramatic drive and quirky detail of his previous work.

Set in and about New Orleans, *Storyville* concerns itself with Cray Fowler, a young lawyer from a wealthy Louisiana dynasty who is running for Congress. His ill-considered trust with sexy karate instructor Lee (Charlotte Lewis) lands him in big trouble when her pimp father is murdered after secretly filming them making steam in a Jacuzzi. Lee is accused of the crime and Cray decides to defend her, in the process uncovering some disturbing facts about his own father's death. Murder, mayhem and scandal ensue, resulting in a courtroom scene that ends in a slow motion fight (including the judge) just as the plot teeters on the edge of pure confusion.

*Storyville* starts out looking like a hot-blooded Southern political thriller, thought it soon loses its way, branching out to include racial politics,

murky family relations, Vietnam atrocities, oil scandals, even transvestitism. Frost as director proves to be competent if a bit slow, though as a writer he seems not to understand that a 100-minute movie requires more discipline than a television series. Every time the movie threatens to become comprehensible Frost switches tracks. There are so many loose ends here that it winds up resembling a ball of yarn after being discovered by a kit-

STORYVILLE (15)  
Mark Frost

TANGO (15)  
Patrice Leconte

BAMBI (U)  
Walt Disney

ten. After a while you feel that there is really no reason to pay attention.

As for the cast, some turn in stridently hammy performances, such as Jason Roberts as a drunken family patriarch and Piper Laurie, who behaves as if she had just wandered in from a Tennessee Williams play. Others, like Spader and Joanna Whalley-Kilmer as a tough lawyer, merely look stricken. The film's only bright spot is the presence of Michael

Warren and Charles Hall, the duo who played Hill and Renko on *Hill Street Blues*. Haid is robustly vulgar as a pornographer, while Warren, balding gracefully, sums up proceedings best of all when he proclaims that "there's a mighty big turd in the punch bowl".

If Frost's film wanders off down too many thematic avenues, then Patrice Leconte's *Tango* suffers from the opposite fate. Early on, it promises to be a fulsome black comedy examining that dark part of every married man's psyche that wishes for his wife to be out of the picture - permanently. But after sounding this intriguing and potentially resonant note, Leconte bangs away at it until it rings hollow.

The film deals with Paul (Thierry Lhermitte), a philandering husband whose wife turns the tables on him when she finds out about his cheating. She has a very public affair, then leaves him. At first he thinks her absence is a blessing, but he soon discovers that he cannot be happy as long as he knows that she is off betraying him somewhere.

He asks the advice of his confirmed bachelor uncle (Philippe Noiret), who suggests that Paul should kill her, reasoning that a being a widower is a lot less taxing on the mind than being divorced. They hire Vin-

cent (Richard Bohringer) to do the job, who several years earlier had killed his own wife when he discovered her infidelity. The three set off on a search for their prey that will eventually lead them to Africa, where Paul's wife is working for a medical charity.

Leconte's previous films, especially *Monsieur Hire* and *The Hairdresser's Husband*, were exquisite blends of Gallic whimsy and real feeling that were able to catch the viewer off-guard without ever alienating him. And for its first half-hour *Tango* promises to do the same, captivating us with a brand of dark comedy that manages to be charming in spite of its seemingly unpleasant subject matter. The best scenes are the opening ones, in which Vincent, a skywriter, is cuckolded by a wife who cuckolds him with her lover. Vincent suspects something is up and tries to spy on her, but she realises that he is nearby upon seeing that the skywriting is not his.

However, such wonderfully inventive moments cannot sustain what is a rather flimsy film. By the midway point Leconte seems to run out of ideas and starts repeating himself. The film loses its freshness, it stops surprising us and descends into a sort of manic



Bambi and friends: tissue-time for young and old alike

predictability that leaves the viewer cold. There is a pointless fight with a truck driver, a senseless sequence of aerial acrobatics with two teenage girls. Even a cameo by Carole Bouquet seems artificial, her cool beauty serving as an illustration to the director's thematic agenda rather than an alluring summons into the heart of the film. With *Tango*, the music stops long before the dancing is over.

I wonder, if *Bambi* were made today and given a Royal Premi-

ere, which member of the gun-toting, blood-sporting Windsors would dare show their face and thereby risk being set upon by an audience of children hungry for revenge? Actually, they need not worry - by today's standards of cartoon carnage, *Bambi*'s off-screen violence will probably fail to raise many young eyebrows, whereas 50 years ago it sent kids and parents alike blubbing from the theatre.

Although it remains far better than most things for children, it must be admitted that

*Bambi* is not always up to Disney's high standards, somehow just missing that blend of humour, sentimentality and menace that made other Disney animated films so great. And I wonder how many parents are up to explaining to their five-year-olds what all those couples of rabbits and skunks were hurrying off to do during the spring sequence? Still, anyone who has to read a review to decide whether or not to see *Bambi* either has no kids or does not pay any attention to them.

Aix Festival / Richard Fairman

## A dark Orlando

The festival at Aix-en-Provence has a distinguished history, which it preserves proudly. A videotheque, set up by the town, holds an archive of opera productions back to 1959, which is available to the public, every individual aria instantly accessible, free, in well-appointed video viewing rooms - surely a unique resource.

A glance through the catalogue suggests that Aix has traditionally put the emphasis on singers. Audiences here are always ready to applaud good singing, while they reserve a peculiarly French cacophony of boos, catcalls and whistles for producers and conductors to whom they have taken a dislike. But there can be justice in their verdicts: none of this year's three productions drew as much strength from its subject as it might.

The most successful was *Orlando*, produced by Robert Carsen. For a producer this opera must be either a dream or a nightmare. In one of his most daring scores Handel ran together a wildly heterogeneous succession of moods - light comedy, magic, lavish theatrical effects, romance and black tragedy, all derived from the story of poor Orlando, whose obsessive love drives him headlong into madness.

It was this last aspect which interested Carsen. Faced with the familiar problem of how to deliver Handelian opera to a present-day audience, he determined to confront the opera's dark side. No magic power was allowed any influence over events; the characters were driven by their own psychological demons.

What was asked of Felicity Palmer was a portrayal of the title-role emotionally so frank as to make one want to avert one's eyes. Full-frontal anguish, naked pain were put before us. As a sheer outpouring of feeling it was enormously impressive, as

exhausting for us as it must have been for her, but it was achieved at a price: the vocal performance became a relentless onslaught of raw chest notes, tipping over into wild exaggeration in the celebrated mad scene. Surely the early part of the role might have been played a little more easily?

For light relief there were scenes of mundane everyday life. As the shepherdess Dorinda, Rosa Mannion washed her smalls in the brook and ironed them in the kitchen later, all the while singing with delectable spontaneity. Her long second-act aria was the evening's winner. Rosemary Joshua sang with some beauty of tone as Angelica, deserving of a more interesting princely consort than Jennifer Lane's Medoro. Harry van der Kamp as the sorcerer Zoroastro, reduced to a businessman in a shabby raincoat, was left without his magic powers or much charisma.

Ultimately there was no place for sorcery in a production which wanted human weakness to shoulder responsibility for human actions. The wonders, both magical and scenic, in *Orlando* were missing. Too many clichés, too. (The naked girl extra must have felt chilly as the night closed in - the performance did not end until after 1am.) But Antony McDonald's simple, trendy sets looked good and nothing that Carsen did distorted the characters. As so often, a late 20th-century production style was teamed with carefully considered 18th-century musical practice. For Handel (though not Mozart) Aix prefers period instruments these days. William Christie directed his group Les Arts Florissants with a light touch. Altogether, a performance not without interest for the archives.

Aix-en-Provence festival continues until July 28.

## The Savoy rises from the ashes

London's Savoy Theatre reopened on Monday, entirely rebuilt after the terrible fire that gutted it in February 1909. It is good to report that Basil Lonsdale's charming Art Deco interior has been scrupulously recreated: the silvery auditorium, the carpets and painted ceilings, the period ironwork and lighting, are all there, sparklingly fresh and as stylish as ever. (Only one regret: the theatre curtain is still hideous).

The Savoy has in its time housed dancing, albeit the stage is too small for anything ambitious in scale. Its most celebrated occasion was George Balanchine's dazzling but ephemeral troupe, Les Ballets 1933, whose brief season was backed by Edward James as a gift to his wife, the Viennese dancer Tilly Losch.

Daphne and Gertrude! Even if you have not read the recent biography of Daphne du Maurier, you may well have heard that its hottest revelation is the passionate friendship that at one time developed between du Maurier and Gertrude Lawrence. (What a shock! Those of us who were born after Lawrence's death in 1955 even thought of linking their names. Du Maurier was not, after all, a character in *Star*, the naïf Lawrence bio-pic of my youth.) Here is the play that brought the two women together. Du Maurier wrote it, as a response to another love-affair, in a fortnight in 1948; Lawrence was the actress selected to play the leading role. It ran at the Aldwych for 15 months; Lawrence - who died in 1951 - never again acted on the London stage; du Maurier wrote no other play.

Now *September Tide* returns to London for the first time in 43 years. A romance with a difference, its action occurs in 1948. Stella Martyn,

Now the honour falls to English National Ballet to christen its new stage this week with two triple bills.

The opening programme had as its centre-piece Olga Roriz' *Seven Silences of Salome*, over-sibilant as to title, but tough as to dance content. (I reported on its creation earlier this year.) It features seven men who are got up in a rag-bag of women's attire over trousers, and who behave as if in the throes of delirium tremens. There is an obscurely argumentative programme note, and the suggestion that what Roriz is giving us is a ragout of Chippendale with modernism as a dash of feminist exegesis.

In the event, *Silences* triumphs over its ingredients, thanks to Roriz' ability to make taut, anxious dance and to the splendid performances of the men, among whom Denzil Bailey's rhythmic versatility, Thomas Edur's pure style and Stephen Sherriff's psychic concentration, are outstanding. It is a strong work, excellently suited to this stage, and it reveals a great deal about the sure talents of the dancers involved.

Nothing in the rest of the programme made any comparable effect. Frederick Franklin's *Raymonda Grand Pas* is the statutory classical divertissement, with Petipa's dances cleverly adapted, but it demands truly grand dancing. Among the soloists, Agnes Oaks and Irene Pasarie looked happy in their pretty variations: these solos are jewels that they were with the right assurance. The rest was as subdued as the dreary powdered shoes worn by the women:

dancers ought to realise that the fashion for marshallow shoes is hugely unflattering to their feet. Light reflected from satin gives shape and clarity to the foot, and to movement.

Wayne Sleep provided a romp to close the programme. This is *Savoy Suite*, which makes jokes about Gilbert and Sullivan - whose music is given in a brash arrangement - and marks the re-opening of the theatre with a great deal of energetic activity. On these terms it is merry enough as an occasional piece, and it ends with a resourceful dance for godfathers (of course). But its life-expectancy is not great.

English National Ballet is at the Savoy Theatre until 24 July. Programme varies.

Theatre / Alastair Macaulay

## Daphne's secret love

a widow, is visited in Cornwall by her daughter Cherry and her new son-in-law, Evan Davies, a talented painter. Stella, a romantic woman and loyal mother, is possessed by old-style values ("Thank Heaven I had Puritan parents who brought me up with a pre-1914 mentality"), whereas both Cherry and Evan are somewhat Bohemian. She believes in marriage based on love, while they are so modern as to sleep in separate rooms. (Daughter to mother: "Your generation thinks of nothing but sex.") But Evan falls seriously in love with his mother-in-law, and Stella discovers reluctantly that she feels the same way about him. What happens after that (ie Act Two) I shall not disclose here.

Though I can imagine this forming the basis for a good movie, as has so

much of du Maurier's fiction, *September Tide* steers too close too often to dramatic cliché. "What are you trying to tell me?" "Everything. Nothing. All I know is the world has become a different place." A storm arrives with such convenient timing that Cherry has to spend a night away from home. Everyone keeps up the romantic-novel view of Cornwall as a place where men are men and women have the wind in their hair.

But the clichés it sets up: Stella makes the kind of entrance that great actresses used to love, with a basket full of roses, but promptly knocks over Evan's painting box. And in general the text has more wit, and a stronger period sense, than the current cast reveals.

Susanah York, for all her loveliness and bloom, never looks

like a woman who harks back to pre-1930 music or manners, and she makes Stella so sensible and ordinary that she irons over the role's dry and debonair humour. (On hearing from Evan that Cherry is a mediocre painter: "What a blessing she did not go in for singing. Such an expensive training. The art school was comparatively cheap.") Moment by moment, York makes sense of the role; but as a whole her Stella is so middle-of-the-road that she knocks the wind out of this story's sails.

Brendan Coyle has the right brooding intensity for the role of Evan. As Cherry, however, Francesca Hunt overdoes the bright eyes and teeth; and overdoes the upper-middle-class combination of hearty manners and pinched little voice. None of the other roles is remotely three-dimensional in conception or performance.

At the King's Head, Islington, London N1.

## Funding threat to Lieder contest

On Tuesday, in the Old Library of the City of London Guildhall, the Walter Gruener Lieder Competition completed its sixth finale. This event, a biennial feature of the annual City of London Festival, is the world's only musical competition of any importance devoted to Lieder - the point was underlined by the distinguished baritone Benjamin Luxon, the Gruener jury chairman, in a pre-results-giving address.

It perhaps needs underlining the more because, as Luxon also made clear, there seems to have arisen a question-mark over the competition's future survival. A bequest left by Gruener (an admired Lieder pedagogue at the Guildhall School) after his death in 1980 has been up to now the source of funding (together with sponsorship from the festival itself). The Gruener cash has now run out. Unless an alternative source can be found, the sixth edition is in all likelihood the last.

This matters. Though in principle competitions are a wasteful way of spotlighting the world's new and important musical talents, the Gruener offers only a relatively small first prize (£5,000 plus a Wigmore Hall recital); its spotlight is therefore not injuriously bright, and the seriousness with which it has always been undertaken makes the competition less of a strain on those young talents than many of similar stature. As Luxon also suggested, in a world in which opera is currently the musical "market leader", the value of an event in which the less showy artistic uses of the singing voice are insisted upon grows ever greater.

A competition that began with Olaf Baer as its first winner, and that has had Simon Keenlyside, Anna Steiger, Thomas Lander and Ruth Ziesak among subsequent alumni at various levels, has surely justified its usefulness. This year the first prize was withheld (as it was two years ago) - always a let-down, but to my mind an entirely justifiable decision.

The *de facto* champion, the German tenor Christian Elsner, took second prize; he was rumoured to have sung his final round suffering a heavy cold, but clean, fresh tone, musical sensitivity and expressive blandness - hardly a phrase explored for any dramatic implication - are features of his performance that are probably preserved even when the voice is healthier.

The other finalists, the Canadian bass-baritone Nathan Berg and the Dutch baritone Geert Smits, shared fourth prize (the third was also withheld); this seemed rather a snub to Berg's lively, pinpoint powers of communication, but at the same time an eminently arguable response to the not-quite-finished vocal techniques of both young men.

So, a rather disappointing conclusion to a competition that is itself at the crossroads. But that is no reason to hope for anything other than its continued existence.

Max Loppert

## INTERNATIONAL ARTS GUIDE

### BATIGNANO

Adam Pollock's intimate, outdoor opera festival, Musica Nel Chiosso, opens tonight with the first of three performances of *Le Degrazie d'Amore* by Antonio Cesti (1687), followed in early August by six performances of Bernstein's *Candide*. Ends Aug 15 (0564-38096)

### EDINBURGH

This year's festival (Aug 15-Sep 4) includes performances of Janacek's first opera *Sarka* and three Verdi operas (*Oberto*, *I Due Foscari*, *Falstaff*), an exhaustive survey of the work of young Scottish composer James MacMillan, and several Schubert recitals. The drama programme includes Peter Stein's 1992 Salzburg Festival production of Shakespeare's *Julius Caesar*, a modern Aeschylus production by Peter Sellers, and the Bob Wilson/Gertrude Stein theatre piece *Dr Faustus Lights the Lights*. The dance programme is limited to Mark Morris' troupe and the Bill T. Jones troupe (Official Festival: telephone

bookings 031-225 5756, 24-hour information service within UK 0891-600 304. Military Tattoo: 031-225 1188. Fringe: 031-225 5257)

### BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to solidify its connection with front-rank British producers. Jonathan Miller's new staging of *Fedora*, with Mara Zampieri in the title role, can be seen on July 25, 29, Aug 1 and 5. David Pountney's production of *Nabucco* on the floating stage opened last night, and continues with four or five performances each week (and changing casts) till Aug 22. This year's concerts are conducted by Rafael Frühbeck de Burgos, Pinchas Steinberg and Donald Runnicles (05574-4920 224)

### LUCERNE

This year's programme, opening on Aug 14, focusses on anniversary celebrations of Tchaikovsky and Rachmaninov, with Alfred Schnittke as the festival's first-ever composer in residence. Visitors from Russia include the Bolshoy Opera Orchestra and Chorus, the St Petersburg Capella Choir and Orchestra and the Russian National Orchestra with a Mikhail Pletnev. There will be a Rachmaninov piano marathon with Barry Douglas and others, the world premiere of a new work by Edison Denisov and a Schnittke ballet programme. Visiting orchestras include the Berlin, Vienna and Oslo Philharmonics, with artists ranging from Yuri Bashmet to Abbado.

Barenboim, Järvi and Sawallisch. There is also a daytime amateur music festival from Aug 16 to 21, including workshops supervised by professional musicians. For those wanting a break from the music, there are trips on the lake, up the Pilatus and Rigi mountains and to the Transport Museum and Lion Monument. Ends Sep 8 (041-235272)

### DROTTHINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. This year's opera include *Una cosa rara* by Mozart's Spanish contemporary Vicente Martín y Soler (conducted by Nicholas McGegan) and Grétry's beautiful *Zémire et Azore* (staged by John Cox). Ends Sep 4 (08-650 8225)

### MACERATA

The festival opening last week with Rigoletto, starring Renato Bruson, which has five more performances over the next two weeks. Lucia di Lammermoor, opening tomorrow, is staged by Josef Svoboda and, with Valeria Eposito in the title role. *Le nozze di Figaro*, conducted by Gustav Kuhn, opens on July 29. Ends Aug 11 (0733-230735)

### OSLO

Norwegian violinist Arve Tellefsen, founder-director of the Oslo Chamber Music Festival (Aug 6-14), has drawn together friends and

colleagues for an attractive anniversary tribute to Grieg, his contemporaries and compatriots. Artists appearing at the festival include Swedish baritone Hakan Hagegard, Jan Garbarek Jazz Quartet, Nordic Youth Orchestra, Norwegian cellist Truls Mork and pianist Tedd Joelson. The festival concerts take place in Bergen, for which a special train has been chartered to take the audience through the scenery which was Grieg's inspiration (2255 2553)

### PESARO

The Rossini opera festival opens on Aug 9 with the first of four performances of *Armida*, staged by Luca Ronconi and conducted by Daniele Cattini, with a cast led by Anna Caterina Antonacci, Ramon Vargas and Jeffrey Francis. This year's other production is a revival of the Pizzi staging of *Maometto II* starring Cecilia Gasdia. Raina Kabaivanska sings arias by Gluck, Rossini and Cherubini on Aug 18, and Maurizio Pollini gives a piano recital on Aug 21. Ends Aug 22 (0721-33134)

### SALZBURG

Gerard Mortier's second festival, opening tomorrow, will be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's *Coriolanus* alongside a revival of Peter Stein's 1992 production of *Julius Caesar*. This year's new opera productions are *Così fan tutte* (with Cecilia Bartoli and Jennifer Larmore), *Lucio Silla* (with Ann Murray and Luba

Orgonasova) and Monteverdi's *Poppea* (with Sylvia McNair and Philip Langridge). Revivals include *Salome* (Bondy/Dohnanyi, with Catherine Malfitano and Bryn Terfel) and *Falstaff* (Ronconi/Solti, with José van Dam). There are concert performances of Delius's *Ulysses* and Moros's *Prometheus*. Despite the increase of contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and Vienna Philharmonic under Maazel, Ozawa and Levine. Riccardo Muti's only appearances this year will be to conduct two Jessej Norman concerts on Aug 2 and 3. A notable occasion will be the farewell concert on Aug 9 of Christa Ludwig, one of the best-loved of Salzburg veterans. Ends Aug 31 (0662-844501)

### SAVONLINNA

No one who visits Finland's premier summer festival can fail to be impressed by the stone castle courtyard in which it takes place. Poised on the edge of a lake, Olaf's Castle (Olivinlinna) is one of the world's outstanding outdoor locations for opera. The final week of the festival features Lithuanian Opera and Ballet Theatre in *Nabucco* and Lucia di Lammermoor (057-514700)

### TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer

home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Tonight's chamber music concert is given by Muir String Quartet. Tomorrow and Sun afternoon: John Eliot Gardiner conducts works by Beethoven and Berlioz, with viola soloist Yuri Bashmet. Sat: Seiji Ozawa conducts symphonies by Bernstein and Mahler. Guest artists over the following two weeks include Roger Norrington, Thomas Hampson, Maria Tjpo and Midori. The Boston Symphony's concert series ends on Aug 31, after which there will be a week of jazz concerts featuring Oscar Peterson, Count Basie Orchestra, Ramsey Lewis and Tony Bennett (Ticketmaster Boston 617-831 2000 New York City 212-3077171)

### VERONA

This year's operas are *Cav* and *Pag*. *Carmen*, *La traviata* and *Aida*. *Cav* and *Pag* runs till Aug 14 with casts including Giovanna Casolla, Nicola Martinucci and Giorgio Zancanaro. Casolla and Martha Senn alternate in the title role of *Carmen*, which runs till Aug 29. *Adriana Mollari* is *Violetta* in *La traviata* (till Aug 30), and *Aida* opens on July 31 for five performances, with a cast led by Maria Dragoni, Ghena Dimitrova, Kristian Johansson and Paolo Gavanelli. In the second half of August, there will be four performances of Khachaturian's ballet *Spartacus* (Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 045-595517 fax 045 801 3287)

### ARTS GUIDE

Monday: Performing arts guide city by city.  
Tuesday: Performing arts guide city by city.  
Wednesday: Festivals Guide.

Thursday: Festivals Guide.  
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130

Friday Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0630

Saturday Super Channel: Financial Times Reports 0630

Sky News: West of Moscow 1130; 2230

Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030



# When the party came to an end



Of the many wonderfully described events leading up to the collapse of the Berlin Wall in Elizabeth Pond's book, there is one that is particularly poignant.

In early October 1989, when the people of Leipzig were beginning to shake off their fear of the Stasi, or secret police, Kurt Masur, director of the Gewandhaus Orchestra, and five other Leipzigers, drafted an appeal for calm. The eloquent document was printed on smudged carbon copies and read out to thousands gathered at the Nikolai Kirche, focal point of growing opposition to the communist regime.

To make sure the message would get through, Masur recorded the statement and had it broadcast by the local radio station. Afterwards, he returned to the Gewandhaus to conduct that night's concert. It was as if it was entirely natural for a classical conductor in his 60s to help shape a peaceful revolution in one of the world's most highly militarised countries in the late 1980s.

Yet, as Pond shows, the revolution could have ended in bloodshed and death. The Stasi held back. Their orders from Berlin were confused. And, once the people had found their voice and courage, the leadership crumbled.

There are many reasons why East Germany's communists caved in so easily.

Pond argues that the communists were out of touch not only with the rapidly changing mood in the country but also with events in the rest of eastern Europe. They thought they could buy time by merely tinkering at reform. But communist leadership were falling one by one elsewhere. Had Erich Honecker, or his inept successor, Egon Krenz, used force, East Germans would simply have voted with their feet by leaving the country through Hungary.

Indeed, once Hungary

## BEYOND THE WALL: Germany's Road to Unification

By Elizabeth Pond  
Brookings Institution £22.50  
367 pages

refused to send back the thousands who had sought refuge through the summer of 1989, they realised they had found a way around the wall. It was the beginning of the end of the party's omnipotence.

The collapse of the wall would not have been possible, however, without Mikhail Gorbachev. Here Pond is at her best. Gorbachev had to be careful not to rush German unification for fear of alienating hard-liners in Moscow. Bonn, Washington and London worked hard to preserve his fragile power base through judicious statements reassuring the then-Soviet Union about Nato's role in a united Germany. This gave them a chance to work out the mechanics of unification.

Pond, who has relied on German and US sources, rather than British or French, shows that the US state department believed early on unification was inevitable. It realised, however, that unification was moving much faster than Britain wanted. Indeed, Margaret (now Lady) Thatcher was more than sceptical about the merits of a united Germany, fearing a bigger Germany would upset the balance of power in the European Community and Europe generally. Yet, once unification was sealed, Helmut Kohl, banking as first chancellor of the new united Germany, shifted his attention to anchoring Germany into Europe and made the realisation of the Maas-tricht treaty a priority.

In retrospect, perhaps Kohl has devoted attention to Europe which could have been better spent helping foster understanding between the two halves of Germany. Pond's book, too, might have given more attention to the internal dynamics of German unification and looked forward to how it might work itself out.

On many levels, Germany continues to experience a revolution. Unlike the countries of eastern Europe, which are

making a slow transition to the market economy and democratic institutions, eastern Germany is being completely transformed. Its entire economic, social and political base has been uprooted and replaced by western German institutions. Judges, school teachers, diplomats, factory managers and professors have been sacked or replaced.

The result has been debilitating in one important respect: eastern Germany has not yet produced local political elites. No wonder the easterners complain about colonisation by the westerners, who in turn resent how deeply they are digging into their pockets to pay for unification.

There have also been profound effects on economic and foreign policy. The high cost of modernising eastern Germany means Bonn is slowly reconsidering the consensus-based corporate capitalism which shaped Germany's postwar development in favour of more competition. East Germany itself is too small a market to force this change. Yet the way in which the east Germans - backed by the Treasury, the agency overseeing privatisation, and the finance ministry - are beginning to demand greater access for foreign investors, particularly in the energy and electricity sectors, shows they are not prepared to accept monopolies being imposed on them.

Unification has also meant that Bonn is having to decide the role it is prepared to play in international organisations, particularly in the United Nations. This has meant much soul-searching - predictable, according to Pond - about the tasks Bonn, Washington and the EC should perform in the post-cold war era.

But this quest, contrary to Mrs Thatcher's grim predictions, has not created a pushy Germany. If anything, unification has exposed Europe's, and Germany's, limitations in dealing with the consequences of the collapse of communism, as the Balkans confirm.

As for Kurt Masur, unification has allowed him to bask in his own new-found freedom by conducting in New York.

Judy Dempsey

By any standards the unemployment rate in western industrial countries is alarming. The Organisation for Economic Co-operation expects the total in its 24-member countries to reach nearly 36m in 1994 - some 19m in the EC. On top of these are an estimated 3.7m people who have been "discouraged" and 9.3m part-time workers who say they would prefer to work full time.

The unemployment estimates are equivalent to an unemployment rate of 8 1/2 per cent for the whole of the OECD, but 11 1/2-12 per cent for the EC. For all President Bill Clinton's grumbling, the US has an unemployment rate of 7 per cent, expected to drop to 6 1/2 per cent with economic recovery; and in sharp contrast to Europe's economy, unemployment has not been on a rising long-term trend.

On equivalent definitions, the worst-hit countries are Spain and Ireland with unemployment rates in excess of 20 per cent. Among the larger European countries, both France and unified Germany are in the course of overtaking the UK in the unemployment stakes: all three have rates not very far from 10-12 per cent. Sweden, once presented as a labour market model, now has an unemployment rate of nearly 7 1/2 per cent. There is much the same effective rate in Japan, if allowance is made for the exceptionally high number of Japanese discouraged workers and unrecorded jobless. The best performers are still found in the Alpine states of Switzerland and Austria, with unemployment rates of 4 1/2-5 per cent - though still higher than a decade ago.

Faced with this challenge, OECD economists say, in the italicised introduction to a so-called editorial chapter of the July Employment Outlook: "To respond effectively, policy needs to exploit the complementarity between sound macroeconomic policies, aimed at creating the right environment for economic agents to take long-term decisions about saving and investing, and structural policies aimed at making labour and product markets more adaptable."

Politicians of different countries and persuasions, both supporters and opponents of the Social Chapter, seem happy to sign declarations embodying this mind-numbing OECD-speak. But the unanimity is achieved at too high a price.

The British chancellor, Kenneth Clarke, put it better in Frankfurt on Monday, when he

said that Europe's labour markets are "over-rigid, over-regulated and over-priced". Regulations and high overheads to pay for social security are just as much a cost to employers as excessive wages and have a similar effect on jobs.

To say that economic growth will not cure hard-core unemployment is itself a half-truth. Clarke suggests that a European growth rate averaging 2 1/2 per cent a year is required simply to halt - eventually - the rising unemployment tide. In that case a higher growth rate is still required to reduce unemployment - unless it is seriously thought that extra workers would make a negative contribution.

There are still only two respectable diagnoses of high unemployment: inadequate demand and pricing out of work. Almost for the first time since the second world war, inadequate demand growth is an important force. Whether because of the legacy of past tight monetary policies, or because of the debt overhang, total cash spending - measured by Nominal Gross National Product - in the Group of Seven leading industrial countries has risen by only 3 1/2 per cent in the past 12 months, compared to the 5 1/2-6 per cent which would be required to secure reasonably non-inflationary growth. Budget-balancing exercises should be put on ice until demand growth is clearly recovering (as it is in the UK).

The word "structural" - or better hard-core - can legitimately be used for that part of unemployment which would not be permanently reduced by demand expansion. It is this element which has been rising, from one business cycle to the next, and which is especially bad in Europe.

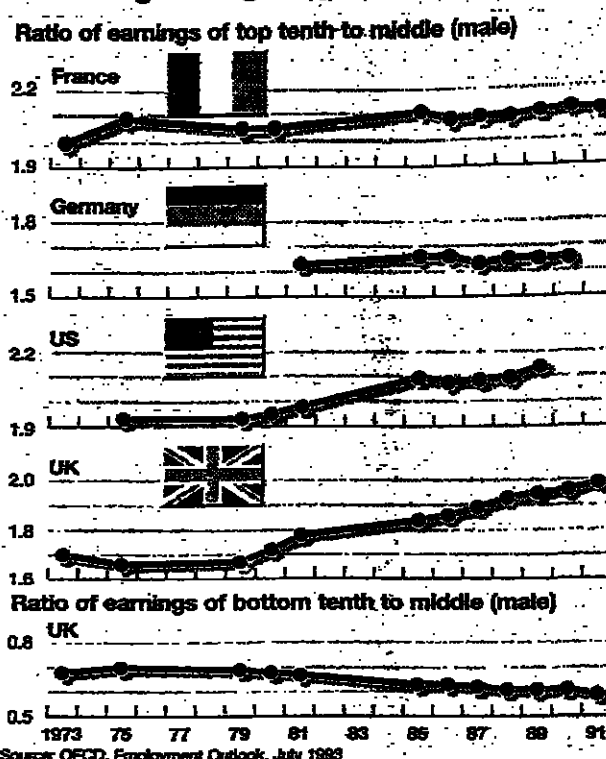
The proximate explanation for this hard core is pricing people out of work that is pay and other labour costs which make workers unprofitable to employ. This is clearly related to the radical-right emphasis

## ECONOMIC VIEWPOINT

# Clues to rising unemployment

By Samuel Brittan

### Increasing earnings dispersion



on dole rates which discourage people from accepting low-paid employment. The two come together in the probability that without the dole, pay rates would drop, as people would have to price themselves into work to survive. I prefer the pricing-out formulation

### Bigger pay ratios, fewer and less stable jobs are three aspects of the same changes

because it leaves space for institutional and psychological forces which - quite apart from the dole - stop pay shifting to market-clearing levels.

Although mention of pricing out of work always leads to protests, hardly any of the indignations put their

finger on the real weaknesses of the thesis, which is its timelessness. Why should pricing out of work have got worse from the 1960s to the 1970s, from the 1970s to the 1980s, and the 1980s to the 1990s?

The OECD almost unwittingly provides a clue in a chapter dealing with widening pay differentials among those who remain in work. These differentials are measured in the chart by the ratio of the pay of those 10 per cent down from the top in the earnings distribution to those in the middle ("the median"). It is also measured by the ratio of those in the middle to those who are 90 per cent of the way down.

Almost every country has shown an increase in the ratio of top to median earnings, especially among males. The estimates are of pay before tax and social security contributions. In some countries, such

as the US and UK, the rise started in the late 1970s, but everywhere it became more acute in the 1980s. Michael Prowse explained on the facing page in yesterday's FT that in the US there has been an absolute fall of more than 10 per cent in the earnings of those at the bottom. In the UK there was also a widening of the gap between the bottom 10 per cent and the median. The main exception to these trends is Germany, which may explain some of the present difficulties in the German labour market. Although this cannot yet be shown statistically differentials have become not only larger but more unstable, especially in the executive groups.

According to the OECD, very little of the increased earnings dispersion is due to structural shifts such as the move from industry to services. For the rise in dispersion has been very similar within each business sector. The Employment Outlook does state, however, that technological change has raised the productivity of highly-skilled workers more than unskilled ones; and the 1990s saw a rise in the "education differential".

But even within groups of similar education and work experience pay differentials grew. In a daring dive into common sense the OECD writers suggest "an increased importance for skills not measured by educational qualifications, such as the ability to work with other people" and also payments more closely geared to performance.

The moral for unemployment suggests itself. If pay differentials had to widen so much even with an ever-growing departure from full employment, how much more would they have to widen to price all workers into jobs? It is not just a question of all pay or average pay being too high, but of some pay relative to others. The causal forces have come from changes in market realities.

As there are obvious resistances to relative pay moving to market-clearing levels, both from the operation of the benefit floor and from other frictions, the tensions showed themselves in higher unemployment. In the US, and perhaps now in the UK too, tensions are showing themselves in bigger pay differences and less secure jobs.

Unemployment, less stable employment and greater differentials are three ways in which a more diversified and volatile labour market is making itself felt. The third may be the least bad of the three choices.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Defence budgets should fund peacekeeping

From Professor Ronald Dore.  
Sir, In all the recent discussion of the restructuring of the United Nations - including Edward Mortimer's perceptive piece "Limits of world order" (July 21) - one constant theme is the shoestring financing of peacekeeping operations.

But I see no mention of one particular and important item in the proposals of Mr Boutros

Boutros Ghali, UN secretary-general, of last July - his Agenda for Peace document. It was a simple one: would member states please shift their funds for UN peacekeeping from their foreign office to their defence ministry budget. It is, after all, rational functional budgeting. The UN and national forces are alternative means to the end of

national security. It makes sense in other ways. Defence budgets are universally bigger. Defence chiefs get committed at the budgeting stage to operations which they might be called on to carry out. And the chances will be increased of shifting from contingency to regular financing, thereby making possible the creation of permanent UN com-

mand structures which can prevent the sort of muddled mismanagement - and waste of resources and lives - that has vitiated the Somalia operation. Ronald Dore, London School of Economics, Centre for Economic Performance, Houghton Street, London WC2A 2AE

## Few realise real cost of a pension

From Mr R W Neate.  
Sir, Hugo Dixon unfortunately fails to appreciate that the cost of a decent pension is not grasped by the majority ("The best judges", July 19). Hence only a relatively small proportion of personal pension contracts take in contributions other than the National Insurance rebates.

In Pilkington, top-ups were provided by the employer to those retiring in 1945-60 to ensure long-serving employees had pensions of up to 40 per cent of final salary. Pensions generated by the basic money purchase scheme established in 1919 were not adequate, despite contributions more than comparable with current NI rebates.

Under the current Pilkington approach to pensions, the employer contribution is a defined percentage, but final salary type benefits are provided by the trustees (50 per cent member-elected). If surpluses are generated, the trustees decide the application: equally, if a deficit emerged, the trustees would have to manage the situation, perhaps by cutting future accrual or asking the members for more.

Lastly, on the question of linking pensions to a member's contributions we also provide a scheme (like the State Earnings-Related Pension Scheme) in which benefits are related to career long contributions, the contributions being up-rated in line with an average earnings index. Again, it has 50 per cent member trusteeship and a defined employer contribution.

R W Neate, Pilkington Pension Services, Prescott Road, St Helens

## Streamlining is enough for regulatory system

From Sir Gordon Downie.  
Sir, Lex suggests ("Prudent regulation", July 12) that legislation is the only way to improve the regulation of retail financial services. It is not.

The new Personal Investment Authority can deliver higher standards of retail regulation and crack down on fraud and malpractice. It will set tough measures of competence for the industry as a whole and introduce a single system for the resolution of complaints.

I am not alone in arguing this approach. A growing number of institutions and leading industry figures take the same view. Those who call for statu-

tory regulation are not all seeking the same solution. The fact is that our present regulatory structure is statute-based but benefits from the full participation of practitioners who understand the industry in which they operate.

We have had more direct forms of supervision by government in the past, and these were much criticised for their ineffectiveness. Do we really want to go down a track which has failed investors so many times before?

Five years ago the government decided to institute a system of self-regulation and this has undeniably delivered con-

siderable benefits for the protection of the investing public. What is now required is a streamlining of the present system, which will build upon the achievements of self-regulation, while rectifying its weaknesses.

I strongly urge consumer bodies and all parts of the industry to co-operate with us in designing the Personal Investment Authority in a way which will command widespread confidence. Gordon Downie, chairman, Personal Investment Authority, 314 Royal Exchange Buildings, London EC3V 3NL

## Hopes of more road schemes being abandoned

From Mr Ashley D Deacon.  
Sir, Mr John Stewart, chairman of the Alliance Against Road-building (Letters, July 14), is quite right: there is indeed a growing movement calling for a shift in emphasis by the Department of Transport away from road-building and a rethinking of the government's multi-billion pound roads programme.

The Oxleas Wood decision has not only given that movement added momentum, it has

also encouraged those currently challenging DoT road-building proposals at public inquiries. Speaking from personal experience, coming as it did in the middle of a lengthy and gruelling cross-examination by counsel for the DoT at the A36 Salisbury by-pass inquiry, the Oxleas Wood decision was an enormous morale booster.

In the "little man's" battle against the DoT's big guns, the Oxleas Wood decision was only

the latest in what, it is to be hoped, will be a lengthening list of abandoned road schemes from a government that listens to public opinion, recognises the financial constraints it faces, and is politically astute enough to modify its policies accordingly.

Ashley D Deacon, honorary treasurer, Salisbury By-pass Action Group, 18 Bourne Avenue, Salisbury, Wiltshire SP1 1LS

## Employee-shareholder control of wage inflation

From Mr Peter Ingram.  
Sir, Ivan Cohen (Letters, July 13) takes issue with my suggestion that institutional shareholders might be able to exert a beneficial influence on wage bargaining on the grounds that these shareholdings are owned by the employees affected. To criticise the proposal on these grounds is to miss the point. Employees are too frequently the stakeholder in the company most adversely

affected by wage inflation. If employees, via their pension funds, can exert a cost discipline that avoids inflationary wage outcomes, current costly solutions such as high unemployment might be better avoided.

Mr Cohen is mistaking a desire to avoid inflationary wage growth for a proposal to "check wages". The two are not the same thing. It is affordable real wage growth that

employees require and if employees, through their shareholdings, can assist this process, while avoiding the distortion of inflation and the existing remedy of unemployment, then it can only be to their benefit as well as to that of the corporate sector as a whole.

Peter Ingram, lecturer in economics, University of Surrey, Guildford, Surrey GU2 5XH

## REPUBLIC OF LEBANON MINISTRY OF HYDRAULIC AND ELECTRICAL RESOURCES COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

### ANNOUNCEMENT FOR PRE-QUALIFICATION FOR THE SUPPLY AND ERECTION OF TWO COMBINED CYCLE POWER GENERATING PLANTS

Within the framework of priorities of The National Programme for the Recovery of the Infrastructure, the Government of Lebanon, acting through the Ministry of Hydraulic and Electrical Resources invites applications from suitably qualified international power station contractors to pre-qualify to tender for the supply and execution on a turn-key basis, of two Combined Cycle Heavy Duty Power Generation Plants.

The two power stations will be erected at Zaharani in South Lebanon and Beddawi (I.P.C) in North Lebanon.

The total generation capacity at each site will be around 415MW plus or minus 18% (I.S.O.) 50 Hz.

The gas turbines at each site will operate at a first stage on Diesel-Oil, then at a second stage on Natural Gas.

The Turn-Key projects at each site will include:

- Engineering Studies with:
  - Site investigation
  - Civil engineering
  - Equipment
  - Fuel storage
  - Environmental protection.
  - Work planning
- The criteria which will allow the calculation of a cost estimate of the produced kwh using a given fuel, and the cost of converting the equipment to allow for the use of another fuel according to a programme to be fixed at a later date.
- The supply, shipping and commissioning of the complete combined cycle equipment in perfect operating order, including the necessary spare parts for a rational operation starting from the preliminary handing over date and extending for three years.
- The supply, shipping and commissioning of the high voltage sub-station equipment at 71kV and 220-150kV voltage.
- The necessary civil works for each site (sea water intake, plant foundation, administration buildings, warehouses, workshops, access and internal roads, laboratories, boundary walls etc...).
- Training of personnel at each site.
- Operating and maintenance of the stations for a period of three years subject to renewal.

Only manufacturers of gas and steam turbines will be pre-qualified for this tender.

Pre-qualification applications must be on the basis of the pre-qualification document prepared by the Council for Development and Reconstruction, which will be available at the CDR offices against the sum of U.S.\$ Five Thousand (\$ 5000) effective Tuesday, July 20th, 1993 at the following address:

Council for Development and Reconstruction (CDR)  
Tallet El-Seraïl  
Beirut - Lebanon

Deadline for returning the duly completed pre-qualification document with all relevant supporting material is 12:00 noon (Beirut Local Time) on Monday 30/8/1993.

Handwritten signature/initials.



## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday July 22 1993

New leader  
for the EBRD

THE EUROPEAN Bank, as its departed president, Mr Jacques Attali, liked to call the European Bank for Reconstruction and Development, needs a new start. It will soon get a new boss, but it also needs redefinition and restructuring. Only then might it prove more than an expensive and embarrassing failure.

Mr Attali's legacy is not all bad. The founding-president had two achievements: the most important was to have been chief spokesman for the needs of his clients, the second was to establish the institution. The next president must build on both.

Ideally, that person would combine the qualities of two candidates, the experience of the reforming ex-finance minister of Poland, Mr Leszek Balcerowicz, and the knowledge of international financial institutions of former international Monetary Fund managing director, Mr Jacques de Larosiere. The former could also use the development banking skills of the World Bank's Ernest Stern and the political clout of former British prime minister, Lady Thatcher. Such a paragon is unavailable. But the EBRD has to get as close to that ideal as possible. Its new chief must at the least possess knowledge of the economic task ahead, impeccable integrity and political weight.

Selection of a man like Leszek Balcerowicz would have attractions. It would symbolise the reunification of Europe, would put someone from eastern Europe in an important post, and would endow the EBRD with relevant experience at its highest level. But there are questions. Does Mr Balcerowicz, for all his achievements, have the political and managerial skills the job needs? Equally, would anyone from a client state of the EBRD be able to command the attention of western governments on contentious policy

issues, such as trade?

If it is to be someone from the donor countries, Mr de Larosiere looks the most credible candidate yet to emerge. This is not because France has a "moral claim" to a job that was won in an unsavoury horse trade with the British and then filled by a man who has proved unsuitable. Nor is it because there is a shortage of French officials in high places. With Michel Camdessus at the IMF, Jacques Delors at the Commission of the European Communities and Jean-Claude Paye at the OECD, France is more than adequately represented. The case for Mr de Larosiere is that he has vast relevant experience.

Choosing a new president will not be enough. The bank must itself be restructured if it is to help restructure former communist countries. Since Europe has no shortage of private merchant banks, the EBRD's existence cannot be justified as a public sector one. More fundamentally, lending by the EBRD directly to private projects is neither a necessary nor a sufficient condition for development of healthy economies based on the private sector. Existence of a public institution like the EBRD is justified by its ability to contribute simultaneously to the formulation of policy, development of institutions, financing of infrastructure and direct lending to private projects. The bank should be organised not by types of projects, but by countries, and possess a substantial permanent presence on the ground.

The question facing the EBRD is not just who should lead it, but what it is for. The new president should follow Mr Attali's example by speaking up for the countries in transformation. But he (or she) must also lead an effective development institution. The EBRD is not that now. Its new president must be able to make it one.

## UK aerospace

THE UK's House of Commons trade and industry committee has a hankering for old-fashioned industrial policies. Earlier this year it called for a panoply of controls and subsidies to shore up the coal industry. Yesterday it served up a similar recipe for the aerospace sector: a five-fold increase to £100m a year in government subsidies; more generous aid to launch new products; and possible additional hand-outs to help companies convert from military to civilian products. All this, it said, was necessary to prevent the industry suffering irreparable damage as a result of unfair competition from heavily-subsidised overseas rivals.

Such talk is unduly alarmist. Though the industry is going through a difficult patch following sensible cuts in military spending after the cold war and the recession in civil aircraft, its underlying position in world markets is strong. Rolls-Royce has built up a large share of the aero-engine market, British Aerospace is a shareholder in Airbus, which has taken the number two slot behind Boeing in civil aircraft manufacture, and the industry continues to perform well in winning overseas military orders.

The committee's call for subsidies is ill-judged. This is not just because hand-outs breed dependency, cost taxpayers money they can ill afford and assume that the government is better at picking winning technologies than the market a theory that has been disproved by bitter experience. In this case, subsidies would be peculiarly counter-productive because they could help trigger an international subsidy war which Britain would be ill-placed to win. Although many governments aid their aerospace industries, such hand-outs are kept in check by last year's agreement between the European Community and the US. The Clinton administration has been itching for an excuse to unplug the deal, following pressure from stricken US manufacturers, and it would be unwise in the extreme to give him one.

Fortunately, the government is unlikely to go down the subsidy route, though it will pick up the committee's ideas about better dialogue between officials and industry. But this does not mean that government could not do still more to enhance the industry's competitiveness. It should push for a multilateral agreement which rolls back subsidies even further than last year's deal and includes more countries within its remit. It should also urge other European governments to abandon Airbus quasi-political status and convert it into a normal public company run on purely commercial lines. Such action could be called an industrial policy, but it would be very different from the committee's.

The obvious way to revive the economy, and thus pre-empt the risk of panic measures later on, is to ease monetary policy now. Policy remains much too tight, given the depressed state of bank lending, while underlying inflationary pressures remain non-existent.

The best way to block US demands for numerical and sectoral trade targets is to pre-empt the inevitable complaint that Japan has failed to live-up to the spirit of the agreement. That means taking steps now to revive demand for imports.

A possible way to prevent politically motivated tax cuts later in the year would be for the ministry to propose a substantial, but temporary, income tax cut now.

The combination of an interest rate cut and a temporary tax cut would thus kill three birds with one macroeconomic stone. And it could only add to the Ministry of Finance's reputation for far-sighted prudence and political savvy. This would serve the bureaucrats well when the horse-trading over governmental responsibilities really begins.

## Running Japan

FOUR DAYS after Japan's inconclusive election, the shape of the likely ruling coalition has still not emerged. Nor is it clear whether the net result of these political upheavals will be a shift in power towards the politicians, away from the bureaucrats who have effectively governed the country during the past decades of Liberal Democratic party hegemony. Little wonder, with at least one political party suggesting that budget-drafting should become the prerogative of elected officials, that these are nervous days at the Ministry of Finance.

Surely, the bureaucrats say, we have enough to concern us without worrying whether Japan's post-war politicians are about to undo a decade of fiscal austerity in a spree of tax cuts in the run-up to a second election.

Inconsistently perhaps, the bureaucrats are also worried by the weak economy: recent data on retail sales and the monetary aggregates suggests that confidence remains depressed, while industrial output is still falling. Moreover, the politicians are already judged to have conceded too much to the US by committing the ministry to take further action, if necessary, to reduce the trade surplus. Worse still, US administration officials may soon be back demanding that the agreement be supplemented with

numerical targets. The bureaucrats should act while they can. Now more than ever, given the current confused state of Japanese politics, the Ministry of Finance is in charge.

The obvious way to revive the economy, and thus pre-empt the risk of panic measures later on, is to ease monetary policy now. Policy remains much too tight, given the depressed state of bank lending, while underlying inflationary pressures remain non-existent.

The best way to block US demands for numerical and sectoral trade targets is to pre-empt the inevitable complaint that Japan has failed to live-up to the spirit of the agreement. That means taking steps now to revive demand for imports.

They could be about to bring the world's financial system to its knees, or they could be among the most beneficial products created by the financial industry. The trouble is, so few people understand derivatives that the debate about these new-fangled instruments has hardly got beyond a handful of bank trading floors.

Derivatives - the term covers futures, options, swaps and a growing array of more arcane products - are instruments whose value is based on some other asset, such as a currency, interest rate or share price. An option on a currency, for example, gives the holder the right to buy the currency at a predetermined level from the person who sold the option: if the currency rises on the foreign exchange markets, the value of the option will go up. Options like these may be used by corporate treasurers and others to hedge their future currency cash-flows - or just to speculate.

To their supporters, such instruments have brought new flexibility to the management of financial risks for companies, investors, government agencies and others. To their critics, they have opened a Pandora's box, creating complex risks that few users and traders of derivatives know how to handle.

The financial industry had its own say yesterday in the shape of a report from the Group of 30, a Washington-based think tank. It concludes that derivatives make a "favourable and substantial" contribution to economic activity - though some banks need to think harder about how they manage the risks attached to derivatives.

Other studies this year have reached a similar conclusion, including one from the Bank for International Settlements, the Basle-based club of central bankers. The view that derivatives have been generally beneficial could yet be challenged, however, as financial regulators, particularly in the US, continue to scrutinise the subject.

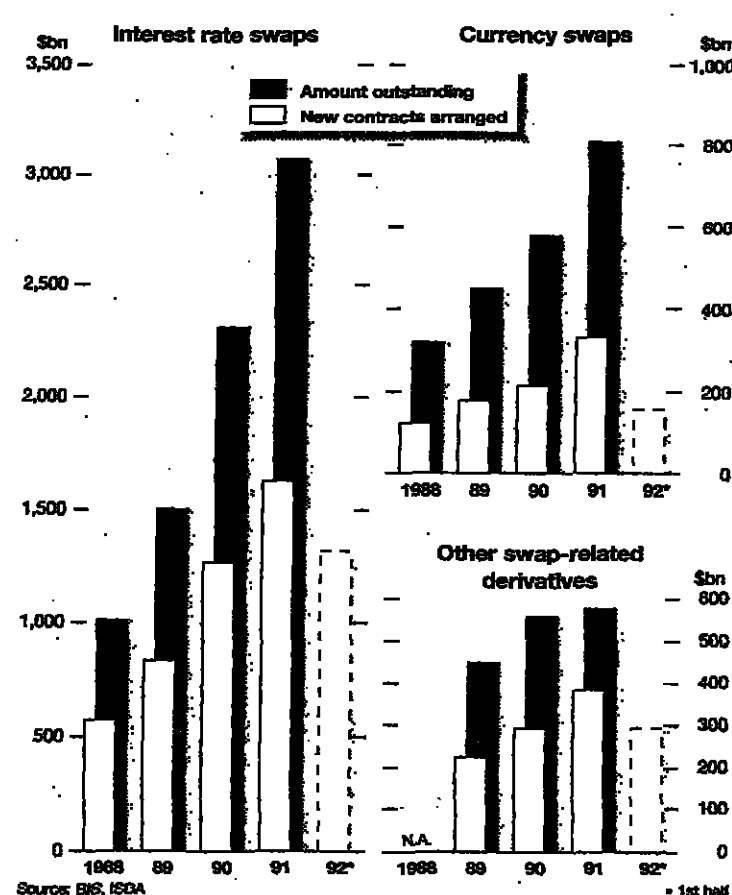
Derivatives have become popular because they make it possible to hedge or take risks in a way that could not be done before, and because they make existing hedging and risk-taking cheaper. Also, by using an interest-rate swap, a company can change the structure of its liabilities, exchanging a fixed-rate liability for a floating-rate one (the entity on the other side of the swap - usually a bank - takes the opposite position). Such liability management is entirely new.

The returns on assets can be shifted around in much the same way: a shareholder could swap the return on equities for the return on, say, a commodities index. Derivatives have thus given a whole new meaning to the way companies, investors and others manage their

Richard Waters examines the debate surrounding the explosive growth of new financial instruments

Easy option or  
unnecessary risk

Over the counter swaps: new flexibility



Source: BIS, ISDA

US and UK, there has been a steady growth in the credit risks taken on by banks through their derivatives activities.

The process has been most marked at the US banks JP Morgan and Bankers Trust, which have moved fastest into the derivatives business. At Bankers Trust, off-balance sheet credit risks from derivatives now exceed loans recorded on its balance sheet. Bankers Trust and JP Morgan have become the most profitable big commercial banks in the US, making a return on equity of more than 20 per cent each last year. Other big banks struggled to get into double figures. It is not difficult to see why regu-

lators have expressed concern at the pace of growth in derivatives. Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, warned last year: "High-tech banking and finance has its place, but it's not all it's cracked up to be... The growth and complexity of off-balance sheet activities and the nature of the credit, price and settlement risk they entail should give us all pause for concern."

The banking industry has hardly covered itself with glory in the past decade, stumbling from the third world debt crisis at the start of the 1980s to the popping of the credit-induced bubble in property and other asset markets at the end of the decade. If bankers are unable to handle credit risks they have dealt with for generations, can they deal with the new risks associated with derivatives?

In addition, the stock market crash of 1987 has left a lingering suspicion of high-tech trading techniques. Computer-driven "portfolio insurance", which was meant to limit the risk of loss from a fall in share prices, was suspected of having hastened the collapse in 1987. To critics, the safety offered by the sort of hedging techniques used by derivatives traders could turn out to be just as illusory.

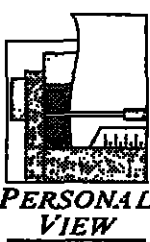
There is some evidence to support this fear. Last September's currency crisis in the European exchange rate mechanism led some interest rate derivatives markets to dry up, making it impossible for derivatives traders to hedge the risks they were running. The financial markets had proved more volatile and less liquid than derivatives traders had assumed.

Although the prospect that a bank's trading strategy will go wrong prompts the most frequent expressions of concern, the real danger from derivatives probably lies elsewhere - in the lack of an adequate infrastructure to support these fast-growing markets, and a shortage of people, including senior bank executives, who understand derivatives.

The lack of infrastructure stems from the speed with which the markets have grown: the legal, accounting and regulatory framework of the financial markets has failed to keep up. Also, banks have put more effort into their "front offices" (the traders and supporting computer systems which conduct the business) than their "back offices" (the administrative support functions such as internal valuation and reporting, and settlement).

Without efficient administration, trading activities could founder. As Mr Bill Rhodes, vice chairman of Citicorp, says: "Very often that's the one thing that's missed. If there's one thing that concerns me, it's that the back office is set up properly."

## Challenge of balancing power in Bosnia



PERSONAL VIEW

The general perception that the new political proposal for Bosnia and Herzegovina is the demise of the republic is simply wrong. Rather, it has also some fundamental elements of the Cutiliero plan - creation of a confederate state delineated along ethnic lines. The Cutiliero plan was signed by all three sides in Lisbon in March 1992. Regrettably, Mr Izetbegovic later rescinded his signature.

The eight-point Cutiliero criteria for delineation will be used. Territorial distribution will focus on economic value rather than on surface area. Under this formula, Muslims could receive two units, the Bosniacs and the Serbs one each.

The Owen/Stoltenberg plan will ensure the integrity of the Bosnian state, while accepting the reality that has divided the country along three lines. It will be a middle road

between the two extremes: the yearning by the Bosnian president, Mr Alija Izetbegovic, for a strong centralised state and earlier claims by Mr Radovan Karadzic, leader of the Bosnian Serbs, that Bosnia and Herzegovina should not exist at all. The Owen/Stoltenberg plan will also have some fundamental elements of the Cutiliero plan - creation of a confederate state delineated along ethnic lines. The Cutiliero plan was signed by all three sides in Lisbon in March 1992. Regrettably, Mr Izetbegovic later rescinded his signature.

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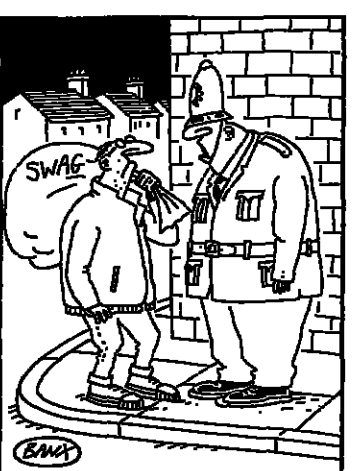
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## OBSERVER



'Anything you say will be taken down and used in evidence to pay me'

trouncing. With an Anglo-French government summit set for Monday, the confidence motion that Labour would demand were John Major to lose would almost certainly have to be debated tomorrow - completely disrupting the planned annual cricket match between MPs and political journalists.

Off the hook  
Let's hear no more carping from bankers about the Pacific hagfish. The scales of justice have at last proved it innocent.

Pacific hagfish is the source of "eel skin leather" used to make wallets, which has been blamed for damaging the magnetic strips on credit cards. But though the allegation has been swallowed hook, line and sinker by banks' customer service staff, they caught a tartar in passing it on to Edward Melvin.

An American biologist with special research interests in the hagfish, he promptly investigated. The rumour just doesn't hold water, he now says. The real culprit is the magnetic clasp fitted to many eel-skin wallets.

Diplomatic?  
Few if any Japanese diplomats have vaulted as effortlessly over cultural barriers as did Kazuo Chiba, Japan's ambassador in London from 1988-91. Mastering even the self-deprecating after-dinner pun, he is remembered affectionately by many.

Now freed from what he calls his "sanctified" diplomatic persona, Chiba exceeded even his admirers' expectations yesterday when he launched a pamphlet on EC-Japanese trade relations, co-produced by the Royal Institute of International Affairs and its Japanese opposite number.

First, he set himself a "relevant" and "irrelevant" in

the same sentence. Then he recalled how former French prime minister Edith Cresson had insisted on telling Arthur Dunkel, the previous Gatt director general, in Chiba's presence that "les Japonais trichent, je le sais", not realising that he understood French.

And finally he asserted that Karel van Wolferen, author of *The Enigma of Japanese Power*, had "lived 25 years with a Japanese woman as a partner but without learning our language: no wonder he finds Japan an enigma".

After which, perhaps feeling he had overdone it just a shade, he added: "Let's forget about the 25-year partner. I understand she's a hairdresser."

Copybook case  
"Well-briefed" badly understates the case of a candidate sitting one of the papers in the Law Society final examinations held in Leicester.

Alerted by the rustling that accompanied his movements, the investigators discovered he had no fewer than 33 sheets of closely written notes stuffed up his jumper. Other cribs were found secreted elsewhere on his person and in his pencil case.

The subject of the paper he was sitting? One of the most common offences for which solicitors are struck off the register: mishandling of accounts.



# Opec faces worst crisis in seven years, says Iran

By Deborah Hargreaves  
in London

THE Organisation of Petroleum Exporting Countries is facing its worst crisis since 1986 when oil prices collapsed almost overnight. Mr Gholamreza Aghazadeh, the Iranian oil minister, said in Tehran.

Mr Aghazadeh was referring to the \$3 a barrel fall in oil prices since May because of over-production by member countries and the threat of an Iraqi return to the oil market. In 1986 prices fell from \$30 a barrel to about \$15 within a few days because of over-production.

Opec has called an emergency meeting for next Wednesday to try to calm the market.

Baghdad has been discussing with the United Nations a possible one-off oil sale worth \$1.6bn. But traders think progress with Iraq on other weapons monitoring issues could herald a wider

lifting of sanctions and a partial return to the export market.

Mr Aghazadeh, speaking on Tehran radio, said Opec must accommodate Iraq within the existing production ceiling and that Kuwait should be persuaded to sign the conference resolution.

Opec's last meeting broke up when Kuwait refused to sign the producers' club accord to restrain output and said it would prime its own taps to produce as much oil as it could.

Mr Jean Ping, Gabon's oil minister and current Opec president, held talks in London yesterday with his Kuwaiti counterpart, Mr Ali Ahmed al-Baghlil, in an effort to persuade him to delay the embargo's production increase.

Oil prices edged up by 25 cents to close at \$16.85 a barrel in London trading in response to Kuwait's apparent willingness to re-enter Opec's fold. Mr al-Baghlil said he might put off his demand for a quota increase to 2.16m bar-

rels a day (b/d) until October if other members curbed their own production.

Kuwait is currently producing about 1.7m to 1.8m b/d and had been planning to boost output by about 100,000 b/d up to the end of September.

Other members are also ignoring their quotas and the organisation as a whole is producing between 24.3m and 24.5m b/d compared with a ceiling of 23.6m b/d set at the last meeting. Mr Ping must try to reinforce production discipline or at least to build a consensus for action to be taken at the next meeting.

His next stop on a tour of the Middle East is Saudi Arabia where he will hold talks with Mr Hisham Nazer, oil minister of Opec's largest producer, whose support is vital to any deal.

In the meantime, the oil market remains nervous but fairly quiet with prices likely to be extremely volatile.

# Major in last plea on Maastricht treaty

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, the British prime minister, will today stake his political authority on a plea to anti-Europe rebels in the Conservative party to vote against the Maastricht treaty's social chapter and end the party's year-long civil war over Maastricht.

Mr Major has said that Britain will not ratify the treaty if it includes the social chapter. Conservatives opposed to greater European union believe that by voting for the chapter's inclusion they can halt the ratification process altogether.

But last night the outcome of today's crucial House of Commons debate on the treaty remained clouded in uncertainty, with both sides claiming enough support to ensure victory when MPs vote at 10pm this evening.

The tortuous ratification process also took another extraordinary twist when Miss Betty Boothroyd, the Speaker of the House of Commons, delivered a sharp warning to the courts not to interfere.

In response to representations from Mr Tony Benn, a Labour opposition MP, about the court action against Maastricht ratification launched by Lord Rees-Mogg, she strongly defended the sovereignty of parliament.

Citing the 1889 Glorious Revolution Bill of Rights - which asserts the sovereignty of parliament - she said she took "with great seriousness" any potential questioning in the courts of proceedings in the Commons.

As party managers counted pledges, the bald arithmetic appeared set to point to a government defeat in tonight's separate Commons vote. Ministers were also warning that the government would press ahead with ratification even if defeated.

About a dozen Conservative "Euro-sceptics" said they were committed to the Labour and Liberal Democrat parties in voting for an opposition amendment which would prevent ratification unless and until the government accepted the social chapter. Up to a dozen more said they planned to abstain rather than support the government in the hope that a Labour victory would derail the ratification process.

Those figures suggested that unless he makes a deal to win the support of the nine Ulster Unionist MPs before tonight's vote, Mr Major's majority of 18 will be wiped out by the combined opposition.

But speculation that the government would do such a deal intensified last night when Mr Major publicly raised the possibility of negotiating a new Anglo-Irish agreement.

Senior ministers also took comfort from a handful of defections from the Euro-sceptic camp, suggesting that as on a previous occasion last autumn the rebellion might just crumble in the final hours before the vote.

## THE LEX COLUMN

# Coal's black future

FT-SE Index: 2814.1 (-9.8)



It is hard not to feel a pang of sympathy for British Coal's management. The corporation has made striking productivity improvements in recent years without compromising safety. Overhead costs have been halved over the past four years while colliery costs per tonne have fallen by 41 per cent in real terms since 1985. Yet, as its annual results make clear, British Coal still has a huge way to go before it could become a viable private sector enterprise. Every move towards that goal, meanwhile, is picked apart in the political pinna pool.

Undoubtedly, the more savagely the government allows British Coal to cut capacity, the easier it will be to privatise the remainder. While its main supply contracts remain in place until 1998, there is a profitable seam of British Coal assets which could feasibly be sold. The snag is it may take no more than a dozen pits to supply the electricity generators' needs, given that 33m tonnes of surplus coal already sits in their stockyards. This, though, would entail an even more drastic pit closure programme than the one the government originally balked at.

Moreover, after 1998 the risks will multiply enormously. It will be difficult to negotiate a contract with the generators on repeat terms, near-impossible to compete freely with overseas open-cast coal.

British Coal has made a reasonable fist of managing the orderly decline of the coal industry. The government will not find it easy to persuade anyone in the private sector to pay to take it on.

standards is overdue, but that effort could end up costing more than the \$158m provided yesterday.

On that basis, the decision to sell STC's submarine cables business makes perfect sense. Despite turning in decent profits, the business was never much of a fit with Nortel's interests in switching and transmission equipment. Disposal should bring in more than enough to cover the cash costs of restructuring and software development. Always assuming, that is, that the competition authorities in London and Brussels are happy to see Alcatel leap-frog AT&T to take the lead in submarine cables.

## Currencies

If the French authorities are looking for lower German interest rates to support the franc, they will not have had much encouragement from yesterday's money supply figures. An M3 growth rate over 7 per cent leaves the Bundesbank little leeway to relax without losing credibility.

The bank could point to the strength of the D-Mark and Germany's low bond yields as mitigating worry about inflation. It also notes that consumer prices, which rose 4.2 per cent in the year to June, are a lagging indicator. But higher insurance premiums mean July's figure, due next week, will again be high. That will make it even harder for the bank to lower rates before the summer holidays.

Since the bank's money market repurchase rate is now only 40 basis points above the discount rate, there is not even much scope for the kind of piecemeal easing which has now become familiar. Besides, foreign

exchange markets increasingly consider that France's economic problems call for more than the mere establishment of a slow downward trend in European interest rates. Since the franc is at the bottom of the system, Germany could place the onus on France to follow Denmark in raising rates if its currency hit the floor. But France could then end up looking as silly as the UK did last September.

## S.G. Warburg

After its abortive approach to the market last month, S.G. Warburg had to ensure that any fresh attempt to raise capital was a conspicuous success. Hence yesterday's \$91m convertible bond issue was attractively priced and targeted more to continental investors than the City institutions who snubbed it in the first place. The fact that Warburg has persevered underlines a need for additional comfort where capital is concerned.

Warburg does not publish its BIS ratios and says with astonishing candour that the measure it does publish - shareholders' funds as a percentage of year-end assets - is not very meaningful. But the ratio did fall to 4.6 per cent from 4.9 per cent last year. The new capital will also give Warburg flexibility in trading on its own account. Notwithstanding the lavish fees it can expect to earn from BT3 and corporate clients from Zeneca to Richemont, Warburg must focus more on trading to improve on its woefully inadequate rates of return. The danger, highlighted by yesterday's Group of 30 report on derivatives, is that such a strategy also involves increased risk. One has to hope Warburg has learned the lessons from last year's losses in the bond market.

## Zeneca

Zeneca would doubtless prefer to see its shares back above the 600p rights price before announcing its first results as an independent company. But even an upbeat message and a solid set of figures next week is unlikely to give the market more than fleeting encouragement. The 4 per cent fall in the shares this week - without good reason other than another bout of nerves about the outlook for the pharmaceuticals sector - underlines that deeper forces are at work. The company owes Lady Luck at least a vote of thanks for making sure the downward lurch did not happen during the rights period.

# Bosnian peace envoys call 'final' round of negotiations

By Laura Silber in Belgrade

INTERNATIONAL mediators Lord Owen and Mr Thorvald Stoltenberg yesterday summoned the leaders of Bosnia's three warring factions to Geneva on Friday for what they say will be a final round of peace negotiations.

Bosnian president Alija Izetbegovic, who initially said he boycotted the talks, later indicated that he would attend.

In an effort to highlight the urgency of the Geneva meeting on the republic's ethnic partitions, the letter from the peace envoys warned: "The death, destruction and suffering now taking place in Bosnia... makes us both shudder for the future of your country."

The letter pledged to identify publicly any parties responsible for resuming "hostilities" or impeding humanitarian relief,

but these assurances were thought unlikely to reassure the Bosnian leadership.

In a statement issued by the Bosnian embassy in Zagreb, Mr Izetbegovic yesterday repeated his refusal to go to the talks while Croatian forces blocked tonnes of humanitarian relief.

Serb forces meanwhile continued to press forward on Mount Igman, a key defence point for south-western Sarajevo. "The battle for Igman is the fight for all of Bosnia," said Bosnian radio. Lord Owen yesterday called the fighting over Mount Igman "slightly over-reported".

Serb forces are using at least 40 tanks in their assault on Igman, which is reported to be under the personal command of General Ratko Mladic, commander of Bosnian Serb forces.

If Serb forces succeed in taking Mount Igman, they could

advance up to the River Miljacka, which runs through Sarajevo. Mr Radovan Karadzic, the Bosnian Serb leader, has said that the Serbs want to divide the city along the Miljacka.

Serbian and Bosnian media yesterday reported heavy clashes around Brcko in north-eastern Bosnia. Sarajevo radio said nine people were killed, including a three-year old boy, and 15 wounded in an artillery attack on the 40-mile front line.

It said Serb forces had sent 31 tanks and 40 armoured vehicles around Gorazde for their attack on the Muslim enclave proclaimed a UN "safe area".

In Mostar, in the south, Croat-led radio broadcast information each hour on how Muslims can travel abroad. Said Sarajevo radio in what it called proof of "ethnic cleansing" by Croats.

# Peres tries to unblock talks

Continued from Page 1

need an agreement on borders which could only be drawn up after an interim period of confidence building. "We can talk about final status now without defining it," he said.

Mr Peres restated that the government would not offer any new compromise over Arab East Jerusalem.

Mr Peres said the government was still waiting for a Syrian commitment to full peace before specifying how far it was prepared to withdraw from the occupied Golan Heights. However, he said he believed President Hafez al-Assad was preparing the Syrian public for full peace.

# EBRD to drop claims as Attali waives final fee

Continued from Page 1

prestigious figure who might appeal to Anglo-Saxons, the French and Germans as well as eastern Europeans.

The Germans are believed not to have put forward their own candidate in case this would undermine their campaign to have the European central bank located in Frankfurt.

The British are believed to be supporting the French candidacy in return for a previous agreement to locate the bank in London. However, some east European countries have argued that they have a moral right to see an east European in the post.

The list of candidates will now be put to the 56 board members, representing 54 countries. The votes will be weighted according to the number of shares each country holds. The successful candidate will need to win both a majority among the board of governors and a majority of the shares held.

The result of the vote, which will be conducted by post, is expected within 21 days, when Mrs Anne Wible, chairman of the board of governors, will announce the new president.

The bank yesterday said it was were keen the new president should assume his duties "as quickly as possible".

Those figures suggested that unless he makes a deal to win the support of the nine Ulster Unionist MPs before tonight's vote, Mr Major's majority of 18 will be wiped out by the combined opposition.

**FT WORLD WEATHER**

**Europe today**

There will be a pause in the flow of unseasonably cold air across the continent allowing conditions to temporarily improve, especially in western Europe. However, a new outbreak of colder weather is expected by the weekend. Sunny spells and mainly dry conditions will prevail today in the Benelux countries and Denmark. Sun and fierce heat will persist in the Mediterranean area with temperatures in Spain reaching 40C. Over Eastern Europe, unsettled conditions will persist near a front. Heavy thundery showers will fall, especially in the northern Balkan states. Just west of the front, temperatures will not exceed 22C, while east of it temperatures will reach 33C-37C.

**Five-day forecast**

The disturbance west of Scotland today will strengthen and move slowly east, drawing another surge of colder air over the continent. Rain and drizzle will reach Denmark, the Benelux countries and France by Friday. By Saturday, rainy conditions will have moved to the region around the Alps causing temperatures to drop further. Behind the steady rain, cold and unstable air will flow in from over the north Atlantic, causing thundery showers over most of the UK and the continent.

**TODAY'S TEMPERATURES**

Maximum	Minimum	Weather	Temp	Maximum	Minimum	Weather	Temp
Abu Dhabi	34	clear	34	Chicago	27	fair	27
Accra	31	cloudy	31	Cologne	20	showers	20
Algiers	31	fair	31	Dakar	28	showers	28
Amsterdam	18	cloudy	18	D'Almeida	28	showers	28
Atlanta	31	fair	31	Dakar	28	showers	28
Bangkok	31	showers	31	Darwin	31	fair	31
Barcelona	35	sun	35	Delhi	33	showers	33
Beijing	28	drizzle	28	Dubai	44	sun	44
Belfast	17	drizzle	17	Durban	24	rain	24
Belgrade	22	thund	22	Dutroynik	24	fair	24
				Edinburgh	27	fair	27

**Forecast by Meteo Consult of the Netherlands**

30	Rangoon	cloudy	31	31	Rangoon	cloudy	31
32	Rangoon	cloudy	32	32	Rangoon	cloudy	32
33	Rangoon	cloudy	33	33	Rangoon	cloudy	33
34	Rangoon	cloudy	34	34	Rangoon	cloudy	34
35	Rangoon	cloudy	35	35	Rangoon	cloudy	35
36	Rangoon	cloudy	36	36	Rangoon	cloudy	36
37	Rangoon	cloudy	37	37	Rangoon	cloudy	37
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50	Rangoon	cloudy	50	50	Rangoon	cloudy	50

**Latest technology in flying: the A340**

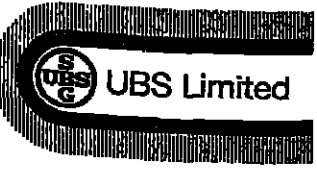
**Lufthansa**  
German Airlines

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## INTERNATIONAL COMPANIES AND FINANCE

## Saab sees possible return to profitability next year

By Hugh Carnegie  
in Trollhättan

SAAB Automobile, launching its all-important 900 model, said yesterday it saw the possibility of a return to profit next year for the first time since General Motors of the US bought a half-share in the company in 1989.

Mr Keith Butler-Wheelhouse, the Briton brought in by GM last year to head Sweden's traditional rival to Volvo, declined to make a firm forecast, warning that the gloomy outlook in world car markets, especially in Europe, where sales have slumped 17 per cent this year, continued to cloud Saab's prospects.

But, he added, "I prefer to say that we have brought down the break-even point for the company to about 80,000 units sold per year and we intend to sell significantly more than that next year. So if nothing else changes we should be in the black next year."

Mr Butler-Wheelhouse acknowledged that the success

of the new 900, which will compete against the Mercedes C class, the BMW 3-series and the Audi 80, was vital for Saab, which in the past four years has accumulated losses of more than SKr10bn (\$1.25bn) and swallowed a further SKr8bn in two capital injections by GM and its Swedish co-owner, Saab-Scania.

He insisted that Saab was not in a "do or die" position. He said even if sales did not hit the high levels Saab hoped for, the company had the funds and the support of GM and Saab-Scania to continue to develop its next new model, an upgrade of the luxury 9000 car, due within five years.

Mr John Fleming, marketing chief, said Saab had set a sales target of 45,000 cars in the first year for the 900. The new car is a complete re-vamp of the old 900 based on many Opel/Vauxhall components but with a distinctive body styling and additional engineering to give it a clear Saab identity.

Saab said the new model cost SKr4.5bn and took 3½ years to develop. Savings from the link

with GM were put at 30 per cent. Mr Fleming said the car would be priced slightly below its main rivals.

The chief worry for Saab is the steep decline in its main markets. It sold only 35,800 cars in first half of the year, compared with 86,800 in all of 1992 and 109,500 in 1989. Sales in the US - its biggest market - and Europe were down nearly 30 per cent. In Sweden, Saab is battling against a slump which has seen overall car sales fall from a peak of 340,000 in 1988 to an expected 130,000 this year.

The 900 will sell hard on Saab's commitment to safety and low exhaust emissions as well as performance. In Sweden cars will be fitted with a "black box" to record vital data in crashes, an idea widely canvassed in the UK.

The two-litre turbo model, one of four engine types ranging from a two-litre, four-cylinder standard engine up to a 2.5-litre V6, will offer a so-called "sensitive" automatic clutch operating by touching the gear lever.

## The challenge bestowed by excess

David Waller considers Karl Otto Pöhl's role at Sal Oppenheim

A former central banker in his early sixties recently landed what may count as the perfect job: part-time chief executive of an ancient, aristocratic bank which has so much money it does not know quite what to do with it.

The man is Mr Karl Otto Pöhl, president of the Bundesbank for 12 years until July 1991, and the bank is Sal Oppenheim, the largest and one of the oldest of Germany's select breed of private banks.

"I am no big private banker," confides Mr Pöhl. "I am something of an outsider."

Outsider though he may claim to be, he looks thoroughly at home in the private banking world.

Annointed in May this year as "speaker" of the bank's elite board of personally liable managing directors, Mr Pöhl spends just over half his time on the affairs of the bank, which was founded in the year of the French revolution.

"I see myself not as chief executive of the bank but as chairman," he explains, "I chair the board meeting. I represent the bank in the outside world."

"I bring this heterogeneous troupe together," he continues, alluding to his fellow partners and to the 50 members of the Oppenheim and related families who own the bank in its entirety.

"Together with Alfie [Baron Alfred von Oppenheim chair-

man of the bank's supervisory board], I develop a strategy for the bank," he says.

The strategic problem is easy to identify: what to do with the Cologne-based bank's vast capital resources. With more than DM1bn (\$500m) in "core" equity capital, Sal Oppenheim dwarfs fellow German private banks such as B. Metzler or Trinks & Burckhardt. Its balance sheet is as big as that of leading UK merchant banks such as Schroders or Kleinwort Benson, and more than twice as big as Rothschild's. But with around 700 employees, it has only a fraction of the staff of many less well-capitalised institutions.

While other German banks are struggling to comply with capital adequacy rules requiring a minimum of 4 per cent core capital, Sal Oppenheim has 12 to 13 per cent. This is down from a peak of 18 per cent after some recent acquisitions, "but it is still too high," Mr Pöhl concedes. Core capital of "DM300-DM400m would be enough for a bank of this size", he says.

Although the Oppenheims have always been prosperous, this superfluity of capital dates back only a few years, to 1980. In the bank's 200th anniversary year, it decided to sell its majority stake in the Colonia insurance company.

The proceeds of the sale to the French Victoire group have never been disclosed, but the figure is authoritatively rumoured to be in excess of

DM4bn. Of this, a quarter went to the tax authorities. A further DM1bn-plus went directly to Oppenheim's 50 shareholders. The balance went to the bank and overnight core capital jumped from DM180m to more than DM1bn.

For Sal Oppenheim, the sale of the holding has ensured the bank will be able to remain independent for generations to come. Although there are formally dozens of institutions in Germany classified as private banks, most are now majority owned by larger institutions - for example, Trinks & Burckhardt is controlled by the Midland Bank and Schröder Münchener Hengst by Lloyds Bank.

Oppenheim, owned by sixth- and seventh-generation family members, is one of the few that are totally independent: another, much smaller example is the Frankfurt-based Metzler bank, owned and managed by 11th-generation family members.

But, thanks to the disposal of the Colonia stake, Oppenheim is in a class of its own. This is underscored by the five-fold increase in the bank's core capital. This is the main measure of a bank's balance sheet power, providing the resources for future growth via new lending business. However, as Mr Pöhl explains, "of course our lending business did not give a new dimension to the bank's business."

to 90 per cent of Germany's largest companies, there was not enough good quality credit business around.

"Our future is not in classical commercial banking," Pöhl reflects, "the margins are too small. We will carry on in this area but it simply isn't the business of the future."

The search was on for a new strategy. With the help of the McKinsey consulting firm, Mr Pöhl and Baron Alfred set in motion a process of restructuring which has divided the bank's business into four main areas.

The first is straightforward commercial lending; the second, financial markets activities - including trading in currencies, equities and futures and options; the third is private client services; and the fourth is asset management for institutional investors (with more than DM20bn under management).

If this gives the bank a more rigorous structure - each of the four divisions has been made a separate profit centre for the first time in the bank's history - it does not solve the problem of how to deploy the bank's capital profitably.

Acquisitions may provide the answer: in the past two years Sal Oppenheim has bought a Zurich-based fund management company and has spent DM200m buying the Hypobank Rheinboden, a mortgage bank. But these alone do not give a new dimension to the bank's business.



Karl Otto Pöhl: "I am something of an outsider"

One area of potential expansion is Anglo-American-style merchant banking business. "Astounding, in view of our corporate connections," says Mr Pöhl, "we play only a very small role in merchant banking. We want to build this one up." This may mean, although Mr Pöhl is not prepared to comment on this - buying a London-based merchant bank.

The problems of the bank which has too much money are far from pressing, and for Mr Pöhl, the search for a new direction for Sal Oppenheim is less than a full-time occupation. The former central banker spends nearly half his time outside the bank, busying himself with 12 other boardroom posts and a host of honorary positions.

## IRI gains breathing space with tax-credit windfall of L2,000bn

By Haig Simonian in Milan

IRI, Italy's biggest state holding company which has total group debts of about L73,000bn (\$46.6bn), is set to receive around L2,000bn in unpaid tax credits.

The funds, part of a L3,500bn package of tax credits being reimbursed to various companies, should give the group a breathing space pending further restructuring and asset sales.

The IRI group lost L4,800bn after tax last year. Losses at many operations - notably Iva (steel) and Irtetna (construction and general contracting) - have continued to rise, while expected privatisation receipts have so far fallen behind schedule. As a result, the group expects to lose about L5,200bn in 1993.

Details of which companies would receive the tax credits

were due to be announced last night following cabinet approval this week for a decree authorising repayment.

The L2,000bn represents the second tranche of L7,500bn in tax credits authorised to be paid last March. About L4,000bn of the total has already been allocated.

IRI has already raised about L1,000bn this year by selling the dividends and tax credits on shares in some of its profitable subsidiaries over the next three years. Further funds are due from the sale of the Italgel and Cirio, Bertolli, De Rica subsidiaries of its SME foods unit.

However, the timing on the SME disposals has already slipped substantially, and may fall further behind the original schedule.

A court in Naples, SME's legal base, has still to approve the outcome of a special share-

holders' meeting last month which authorised splitting the company - a vital step to privatisation.

The delay means the deadline for final offers for the two subsidiaries on sale, which has already been postponed to July 26, may have to be put back further.

Finanziaria Ernesto Breda, the holding company controlling the defence activities of the state-owned Efim group, now in voluntary liquidation, yesterday revised its 1992 loss to L589.3bn from L539.3bn, barely a month after approving the original figure.

The revision follows new information, which only came to the attention of FEB's board this week, about possible difficulties recovering funds due from the L255bn sales in 1991 of stakes in two defence subsidiaries.

## Leif Hoegh posts sharp advance

By Karen Fossell in Oslo

LEIF HOEGH, one of Norway's biggest shipowners, yesterday announced first-half pre-tax profits up sharply to Nkr471m (\$64.45m) from Nkr120m in the same period last year.

The improvement was helped by a Nkr258m gain from the disposal of assets, a stronger dollar, improved markets for tankers and dry bulk carriers, and lower interest payments. Mr Olav Geir Foss, director, forecast full-year pre-tax profits of about Nkr400m, up from Nkr278m in 1992.

Earlier, the shipowner forecast operating profit in 1993 would rise to about Nkr350m from Nkr309m in 1992.

Mr Foss said the value of the group's

share and bond portfolios had also increased.

Group freight revenue in the period rose to Nkr1.21bn from Nkr1.06bn as operating profit increased to Nkr176m from Nkr161m. Bona Shipholding, the group's tanker and dry bulk carrier operation, boosted first half operating profit to Nkr67m from Nkr21m.

The advance was attributed to stable freight rates for oil products from North Africa to Europe and the US, and to higher rates for dry bulk cargoes such as grain, coal and phosphates.

The group's car-carrier operation saw operating profit decline to Nkr115m from Nkr128m, mostly because of the disposal of two vessels and a weaker trend in the market.

## Sage profits warning for US units

By Paul Taylor in London

SAGE Group's share price fell by 119p to 355p yesterday after the UK business software company issued a "short-term" profits warning related to its two subsidiaries operating in the fiercely competitive US market.

The company said its recently acquired Remote Control International subsidiary had incurred restructuring costs, and had brought forward development expenditure on a new version of its Telemagic contact management software product designed to work under Microsoft's Windows.

In addition DacEasy, the group's US accounting software subsidiary, had been "adversely affected" by the intro-

duction of competitors' Windows products, although its own Windows product is now being marketed and costs have been reduced.

The rapid growth of Windows-based software in the US has caught several software companies by surprise.

Sage said that its pre-tax profits and earnings-per-share for the year to September 30 "will be lower than general market expectations," but nevertheless ahead of those reported for last year.

Last year the group reported pre-tax profits of \$3.85m on turnover of \$27.3m and, following a 24 per cent increase in profits at the interim stage, most industry analysts had been expecting full year pre-tax profits of between \$10.8m and \$11.1m.

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## INTERNATIONAL COMPANIES AND FINANCE

## Improved calls volume at GTE offsets job-cut costs

By Martin Dickson  
in New York

GTE, the largest local telecommunications group in the US, yesterday reported a 6 per cent increase in second-quarter net income. It was helped by solid growth in telephone calling volume, but held back by a \$74m pre-tax charge for job cuts.

The company announced net income of \$438m, or 46 cents a share, compared with \$412m, or 45 cents, in the second quarter last year. Revenues dipped from \$5.06bn to \$4.92bn.

The revenue dip reflected "lower government-communications sales and continued competitive price reductions to domestic long-distance companies, which offset

solid volume growth in telephone operations".

The charge for the voluntary job severance programme worked through at \$48m, or 5 cents a share after tax. GTE said when this was excluded, earnings per share rose 13 per cent to 51 cents.

Mr Charles Lee, chairman, said telephone operations had a strong quarter, with healthy volume growth and lower domestic operating costs. For the six months, net income totalled \$868m, or 94 cents a share, compared with \$805m, or 88 cents in 1992 before accounting changes. Revenues totalled \$9.74bn, up from \$9.59bn.

In telephone operations, minutes of use of GTE's network for long-distance calling grew

at an annual rate of 7.5 per cent, while total access lines increased 4 per cent.

Around 6,400 employees, or nearly 8 per cent of the domestic telephone operations' workforce, accepted various voluntary separation programmes during the period. This will reduce future operating costs by more than \$250m annually. Revenues from the telecommunications products and services business, which includes cellular telephones, saw operating income rise to \$97m from \$57m, on revenues down at \$983 from \$1.08bn.

The increase in income was attributed to higher revenues and efficiencies in mobile cellular, as well as cost reductions in the government systems business.

## Sprint up sharply in second quarter

By Martin Dickson

SPRINT, the US telecommunications group, reported a 58 per cent increase in second-quarter net income from continuing operations, due to strong growth in its long-distance operating income.

Income from continuing operations was \$165m, or 48 cents a share, compared with \$104m, or 31 cents, a year earlier. This excludes a \$44m, or 13 cents a share, after-tax gain it made last year from the sale of telephone properties in Ohio. Revenues rose 9 per cent to \$2.8bn.

Net income totalled \$167m, or 46 cents, compared with \$148m, or 44 cents.

Sprint, the third-largest long-distance carrier in the US, said this business saw operating income of \$121m against \$45m last time. The profits were a slight improvement on the first quarter.

Revenues rose 10 per cent to \$1.51bn, compared with \$1.38bn a year ago and \$1.49bn in the first quarter. Minutes of use rose 9 per cent on a year ago but were down 1 per cent on the first quarter.

Mr William Esrey, chairman, said the record long-distance results reflected the introduction of new products.

## Growth in US and Asian sales boosts Mitel

RISE sales in the US and Asia helped Mitel, the Canadian telephone equipment maker, to record a profit of \$33m (US\$2.4m), or 2 cents a share, for the first quarter ended June 25, writes Robert Gibbons in Montreal. This compares with a loss of \$37m, or 10 cents, a year earlier, on revenues of \$510m, up 13 per cent.

Mitel, which makes telecom switches, semiconductors and computer systems, said productivity gains also helped. Mr Anthony Griffiths has stepped down as chairman.

## Charge batters Dow drug offshoot

By Paul Abrahams

MARION Merrell Dow, the pharmaceutical group 70 per cent-owned by Dow, the large US chemicals company, yesterday reported earnings down 86 per cent, to \$29m from \$197m, for the second quarter to 30 June.

The company was hit by a special \$180m restructuring charge for its US business. It was also affected by falling sales of its leading medicines.

Without the special charge, net income would have been down 20 per cent at \$158m, according to the company. Mr Fred Lyons, president and chief executive, pointed out that the results were better than during the first quarter.

Turnover for the quarter fell 17 per cent to \$750m from \$906m. Sales of the heart drug Cardizem, its best-selling medicine, dropped 9 per cent to \$210m, after US patents expired last year. However, its new once-a-day Cardizem CD generated sales of \$125m, up 166 per cent.

Seldane, an anti-histamine, generated sales down 11 per cent, from \$296m to \$263m. Sales of Nicorette, the smoking cessation patch, fell 71 per cent to \$24m against last year's figure. Sales of Nicorette gum dropped 60 per cent to \$40m.

Research and development spending for the quarter fell from \$125m to \$115m, while sales, general and administrative spending

dropped from \$286m to \$270m. Earnings per share fell from 70 cents to 10 cents.

Johnson & Johnson, the US pharmaceuticals and consumer group, posted second-quarter earnings up 9.5 per cent, to \$495m from \$452m. Turnover increased 3.8 per cent to \$3.54bn from \$3.41bn.

However Mr Ralph Larsen, chairman and chief executive, said sales growth had been slowed by weak economies in several markets, the strength of the dollar, and healthcare reforms in several important international markets.

The consumer division's sales rose 1.6 per cent to \$1.18bn from \$1.17bn. Domestic turnover rose 1.2 per cent to \$608m from \$601m.

Turnover at the pharmaceuticals division rose 3.3 per cent to \$1.12bn from \$1.1bn. In the US, it increased 3.5 per cent to \$428m, due to the introduction of new products such as Procrit, a treatment for anaemia, and Leustatin, a medicine for hairy cell leukaemia.

These gains were offset by a decline in sales of Hiamanal, an antihistamine. Non-US sales fell to \$691m from \$692m because of healthcare reforms.

Sales of the professional division, which markets wound products, medical equipment and dental and ophthalmic products, increased 6.3 per cent to \$1.24bn from \$1.17bn.

Earnings per share rose 10.3 per cent to 75 cents from 68 cents.

## Colgate rises 14% to \$142m

By Martin Dickson

COLGATE-Palmolive, the US consumer products group, yesterday reported a 14 per cent increase in second-quarter earnings, despite weak economic conditions in most of the developed world.

The company had net income of \$142.4m, or 89 cents a share, compared with \$124.4m, or 75 cents, in the same period of last year. Sales dipped 1 per cent to \$1.78bn, due to currency fluctuations, though unit volume was steady with a year earlier.

Mr Reuben Mark, chairman, said the earnings increase was due to the company's commitment to increased profit margins. This had been achieved by reducing overheads, streamlining worldwide manufacturing, and "the continued shift of product mix to our more profitable product categories".

The gross profit margin rose from 47.1 per cent to 48 per cent, and the after-tax return on sales moved up from 6.9 per cent to 8 per cent.

The company's biggest business - oral, personal and household care - achieved

"healthy sales advances" in the developing world, which helped offset decreases in the mature economies. Latin American sales were up 11 per cent.

Although European sales from this segment fell 10 per cent because of poor economic conditions and currency factors, operating profit percentages improved thanks to restructuring. US sales were down 4 per cent in unit terms and 6 per cent in dollar terms.

However, Colgate said this was a considerable improvement on the first quarter.

## Net at Borland surges 259%

BORLAND International, the US personal computer software company, reported a strong advance in first-quarter earnings, as sales of its new programs for use with Microsoft's Windows operating system took off, writes Louise Kehoe.

Net income for the quarter was \$8.2m, a 259 per cent improvement on last time's \$1.7m. Per-share earnings were 22 cents, against 6 cents.

First-quarter revenues were \$123.4m, up 7.5 per cent from \$114.8m last year.

## US media group ahead

By Karen Zagor in New York

CAPITAL CITIES/ABC, the television and newspaper group that controls the ABC Television network, reported second-quarter net income of \$151m, or \$9.21 a share, up from \$147.5m, or \$8.84, a year ago.

Net revenue rose to \$1.44bn from \$1.39bn while operating income was almost flat at \$270.7m against \$268.7m.

Broadcasting revenues advanced 5 per cent to \$1.18bn from \$1.12bn and operating

income edged 3 per cent higher to \$244.5m from \$236.5m. Earnings for ABC Television fell.

Publishing revenues declined 6 per cent to \$255.9m from \$273.5m, and operating income from the business dropped 9 per cent to \$36.3m from \$40.1m.

First-half results were distorted by extraordinary charges this year and accounting changes in 1992. Including these items, first-half net income was \$310.2m, or \$12.77, on revenues of \$2.62bn, against earnings of \$46m, or \$2.72, on revenues of \$2.49bn in 1992.

## LSI Logic sets profits record

By Louise Kehoe  
in San Francisco

LSI LOGIC, the US semiconductor manufacturer, reported record net income in the second quarter, compared with a loss in the same period last year.

The turnaround was achieved by increased revenues and tight expense controls.

Net income was \$13.1m, or 27 cents per share, compared with a loss of \$5.9m, or 13 cents, in the same period a year ago.

The earnings were at the high end of Wall Street expectations.

Revenues in the second quarter advanced to \$177.1m, up 16.6 per cent from \$151.8m in the second quarter a year ago.

For the first six months of 1993, net income was \$23.7m, or 49 cents a share, against a loss of \$5.5m, or 12 cents, in the first half of 1992. Revenues were \$346m, up 14.4 per cent from \$302.4m in the same period last year.

LSI, which specialises in Application Specific Integrated Circuits (ASICs), chips tailored for specific customer applications, said demand was "healthy" in the second quarter

with the US and European markets leading the way.

"Increased revenues and tight expense controls were the primary reasons for the company's improved financial performance in the second quarter," said Mr Wilfred Corrigan, chairman and chief executive.

"Operating expenses as a percentage of revenues were reduced to 27.3 per cent in the second quarter of 1993 from 36 per cent in the second quarter of 1992."

"Operating income, pre-tax income and net income were all at record levels in the second quarter of 1993."

## UTC declines 12% for quarter

By Martin Dickson

UNITED Technologies, the US high-technology group, reported a 12 per cent drop in second-quarter net income as sharply lower profits at its Pratt & Whitney aero-engine business offset improved performance in most other parts of the group.

Net income was \$130m, or 89 cents a share, compared with \$148m, or \$1.03, for the same period last year. Revenues were \$5.6bn, down from \$5.7bn.

Mr Robert Daniell, chairman, said operating profits from businesses other than Pratt grew 19 per cent,

compared with last year. Pratt, which has suffered from the downturn in the airline industry, reported operating profits of \$6m, down from \$122m a year ago.

Revenues dropped from \$1.8bn to \$1.7bn.

Lower sales of engines and spares were offset by revenues from the renegotiation of several aircraft leases relating to prior-year engine deliveries.

Mr Robert Daniell, UTC chairman, said Pratt was showing an improvement from the first quarter, with an increase in commercial engine parts orders in the first six months. UTC's flight division, which

includes Sikorsky, the helicopter manufacturer, produced operating profits of \$96m, up from \$63m, on revenues of \$886m, down from \$933m.

Otis, the elevator group, made \$88m, up from \$84m on revenues of \$1.14bn compared with \$1.12bn. Carrier, the air conditioner company, made \$95m, down from \$93m, on revenues of \$1.24bn, down from \$1.27bn. Automotive made \$53m up from \$42m, on revenues of \$640m against \$633m.

For the six months UTC had net income of \$194m, or \$1.31 a share, compared with \$242m, or \$1.79 last year before accounting changes.

## Acquisition lifts Martin Marietta

By Richard Waters  
in New York

MARTIN Marietta, the US defence contractor which took over GE Aerospace in April, recorded a 25 per cent rise in second-quarter net income due to a first-time contribution from its acquisition.

Net income rose to \$124m, from \$99m in the second quarter of 1992, on sales up from \$1.6bn to \$2.6bn. Earnings per share on a fully diluted basis fell to \$1.93 from \$2.06, reflecting an increase of 14.5m in the shares outstanding as a result of a convertible stock issue connected with the GE transaction.

New debt associated with the takeover took gearing to 41 per cent by the end of June, which the company described as "manageable".

For the first half, before the effect of a change in accounting for retirees' health benefits, post-tax profits were \$200m, or \$3.62, compared with \$174m, or \$3.57, in the first six months of 1992.

Around \$1.3m of sales in the second quarter came from the company's new electronics division, forged after the takeover. This unit achieved an operating margin of 9 per cent, compared with a 10 per cent margin in the space division.

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June 1993

## LEGAL NOTICES

No. 02084 of 1993  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
IN THE MATTER OF GREENWAY HOLDINGS PLC  
AND  
IN THE MATTER OF THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 30th June 1993 confirming the reduction of the capital of the above-named Company from £12,500,000 to £5,250,000 was registered by the Registrar of Companies on 8th July 1993. Dated this 22nd day of July 1993.  
Lorell White Davies  
65 Holborn Viaduct  
London EC1A 3DY  
Solicitors for the above-named Company

## OBITUARIES

MENTA KIRITIL MANILAL - Peacefully passed away on 20th July 1993 in Antwerp, Belgium. Kirtil, beloved husband of the late Lilevel, husband of Esther and father of Vijay, Prabodh, Kishor, Rashmi, Anil, Rajeev, and Lisa. Funeral ceremony will be on 22nd July at the crematorium Jumeau Montebell No.2, Wijk, Antwerp at 2.45pm. No flowers please. Condolences to 74, Vredingestraat, Antwerp. Fax Antwerp 284-0538



£100,000,000  
Floating rate notes 1996

Notice is hereby given that for the interest period 20 July 1993 to 20 October 1993 the notes will carry an interest rate of 87.5% per annum. Interest payable on 20 October 1993 will amount to £55.56 per £100,000 note and £1,555.56 per £1,000,000 note.

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Listed on the Luxembourg Stock Exchange  
Bankers Trust Company, London Agent Bank

TSB Hill Samuel Bank Holding Company plc (Formerly Hill Samuel Group plc)  
US\$100,000,000 Class A Floating rate notes 2016  
For the period from 22 July 1993 to 24 January 1994 the notes will carry a rate of interest of 3.8125% per annum. Interest payable on 24 January 1994 will amount to US\$196.88 per US\$10,000 note and US\$4,924.48 per US\$250,000 note.  
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WOOLWICH - Building Society -  
ECU 150,000,000  
Floating rate notes due 1996  
Notice is hereby given that the notes will bear interest at 7.9625% per annum from 22 July 1993 to 22 October 1993. Interest payable on 22 October 1993 will amount to ECU203.49 per ECU10,000 and ECU2,034.96 per ECU100,000 note.  
Agent: Morgan Guaranty Trust Company  
JPMorgan

SUNKYONG INDUSTRIES LIMITED  
US \$50,000,000  
FLOATING RATE NOTES DUE 1998  
(Redeemable at the option of Noteholders in April 1998 and April 1997 and at the option of the Issuer on any interest payment date falling in or after April 1998).  
In accordance with the provisions of the Notes, notice is hereby given as follows:  
\* Interest period: July 21st, 1993 to October 21st, 1993  
\* Interest payment date: October 21st, 1993  
\* Interest rate: 3.625% per annum  
\* Coupon amount: US\$2,315.97 per note of US \$250,000  
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## COMPANY NEWS: UK

## Hanson warns of mine closures

By Andrew Bolger

HANSON, the Anglo-American conglomerate, said the US miners' strike had cost its Peabody subsidiary £30m in the three months to June 30 and warned of permanent closures of certain mines and a "noticeable effect on Peabody's profit".

Lord Hanson, chairman, said £15m of the loss occurred in June when a total of 15 Peabody locations were on strike for part of the month and extensive sabotage to equipment occurred. There were also slowdowns by union workers at the mines that operated during the period.

He said that despite repeated requests, the United Mine Workers of America refused to resume bargaining with the official multi-company bargaining group, and appeared to be heading for a long confrontation.

"This will not only bring disastrous consequences for the employees involved and possible permanent closures of certain mines, but, as already disclosed at the recent Hanson EGM, will have a noticeable effect on Peabody's profit."

The strike at St Louis-based Peabody is part of a larger walk-out at mines operated by a number of big US coal companies. The union said about 18,000 miners were on strike.

The UMW is trying to obtain guarantees that its members can have jobs at new mines opened by Peabody and others when existing mines run out of coal.

Lord Hanson said: "The number of Peabody mines on strike, governed by the labour contract with the UMW, has now increased to 18 out of 22. Seven other US mines, however, involving approximately half of Peabody's production, are not affected and remain profitable."

"This strike is entirely a matter for the management of Peabody and the UMW to negotiate and settle, but unless the UMW is prepared to start

negotiations immediately, Peabody's results for the three months ended September 30 1993, could be affected at a similar rate.

"The UMW is attempting to coerce Hanson into forcing Peabody to submit to totally unacceptable terms, something we shall never do. Were a settlement to be made on the terms demanded by the UMW, Peabody's future competitiveness and profit would be permanently blighted. Hanson is prepared to accept the short-term costs to its shareholders to ensure Peabody's long-term competitiveness."

Hanson's shares closed 1½p lower at 222½p.

## Warburg seeks £91m via bond issue

By Norma Cohen, Investments Correspondent

SG WARBURG Group yesterday launched an £90m convertible bond, quickly increased in size to £91m, in its first capital raising exercise since 1987.

Mr Simon Leathers, chief financial officer, said that while the group has no pressing need for capital, "we were concerned that two years from now we might want additional capital and market conditions may not be right".

He did not specify how the group intends to use the funds except to say it will probably be devoted to the investment banking division. Warburg hopes to expand its trading of its own account and its derivatives business.

The offering will count as Tier 2 capital for regulatory purposes, raising the total capital for Warburg in that category to £240m.

Warburg does not publish its capital ratios for regulatory purposes, the internationally accepted measure of a bank's balance sheet. But Mr Leathers said the group is "well above" regulatory minimums.

However, the ratio of Warburg's shareholders' funds to gross assets, an important measure of balance sheet strength, fell in the past year from 5.9 per cent to 4.6 per cent. Mr Leathers said that the ratio at the end of 1992 had been unusually high by historical standards. When all the shares on the new issue are converted, that ratio will rise to just above 5 per cent, he said.

In the year ended March 31, Warburg earned a return on capital in the investment banking division of 10.3 per cent, 8.7 per cent after discontinued operations. That is lower than the group average return on capital of 14.7 per cent for the year just ended.

Warburg's brokers, Cazenove, had sounded out institutional shareholders in June but found there was limited support for such a capital raising exercise at that time.

The securities, which may be called at par by Warburg in 1998, carry a coupon of 6.5 per cent and are convertible into Warburg shares at 85p, a premium of 18 per cent above the share price at launch of 72p. Warburg's shares yesterday closed 10p lower at 71p.

If all the shares are converted, they will dilute existing shareholders' stakes by just under 5 per cent.

## Exmoor Dual net assets dive

Exmoor Dual Investment Trust, the split-capital vehicle which concentrates its portfolio primarily on similar such trusts, reported a net asset value of 34.8p per ordinary share as at May 31, down from the value of 63.2p a year earlier.

The figure of 61.1p per income share showed little change over the 12 months, while net asset value per zero coupon preference share improved from 158.4p to 178.9p. Attributable revenue for the nine months to end May amounted to £802,455 (233p) for earnings of 6.8p (5.34p) per income share.

A third interim dividend of 2.7p makes an unchanged total to date of 7.5p.

Directors reiterated that the total for the year would be maintained at 10.55p but that the distribution would probably have to be reduced next year.

## IN BRIEF

AMINEX: Applications for recent open offer received in respect of 10.2m shares, representing 71 per cent of offer and raising £23.2m of new money. East West Oil to take up full entitlement of 4.2m shares, bringing its stake to 35 per cent of enlarged capital. East West does not intend to bid for outstanding shares.

BIRKBY has sold New Range Systems, one of the remaining Finlan trading businesses, to its management for a nominal consideration of £1.

GBS INTERNATIONAL: Rights issue taken up in respect of 2.38m shares (30.6 per cent). Issue was underwritten by Beeson Gregory.

UNICHEM has, through its E Moss retail offshoot, acquired Campbell Chemists, which owns and operates a pharmacy in Wigan, for a maximum £565,000 in shares and cash.

UNITED NEWSPAPERS: Recent rights issue taken up in respect of 38.7m shares, representing 95.7 per cent of offer. Balance of 1.7m shares placed in the market at a premium.

## Medeva moves to rebuild investors' confidence

By Richard Gourlay

MEDEVA, the rapidly growing UK drugs company that has suffered a halving in its share price since issuing a profits warning on Monday, yesterday said it will eschew "further major acquisitions" for the time being.

In a letter to shareholders, Mr Bernard Taylor, chairman, said: "The scale of the fall in the company's share price would appear to reflect wider concerns than could be accounted for by the revised profits forecast alone."

The board recognised the company would have to face "new constraints" with an

overriding challenge being to rebuild investor confidence.

Medeva's share price fell a further 8½p yesterday to 103p, bringing the fall to 114p since Monday, when the company said it would make pre-tax profits of between £48m and £47m in 1993, about £10m below market expectations.

Rebuilding confidence would "crucially depend" on the company's actual profit performance in the future.

Mr Taylor said that the company's growth had been based on acquisition and organic growth.

Medeva describes its strategy as capturing synergies between companies it acquires, on re-

building products it buys, developing new products and investing in the resulting growth opportunities.

"Looking ahead, the board believes that shareholders will be looking for renewed evidence of the success of this strategy before any further major acquisitions are contemplated."

After its 1994 rights issue in April, which repaid all debt and left the group with a strong balance sheet, Medeva said it had about £100m which it could deploy in acquiring more companies.

"The company would still make 'smaller scale tactical acquisitions', the letter said.

## NW Water gets 90% take-up for scrip

NORTH West Water, the privatised water company, yesterday said that it had received elections for its enhanced scrip dividend in respect of some 322m shares - about 90 per cent of its issued capital.

The company, which is unlikely to have any mainstream corporation tax liability for some time due to substantial capital allowances, made the move to help it eliminate unrelieved advance corporation tax. It intends to direct the money saved to its international business.

The enhanced scrip option was equivalent to a dividend of 21.405p. Swiss Bank Corporation, which agreed to purchase new shares at a value equivalent to 20.978p, yesterday said that shareholders representing about 81m shares (25 per cent of the elections) had accepted its offer.

The reference price determining the number of new shares issued under the scheme will be announced next Wednesday.

## BA to franchise its brand name to smaller airlines

By Daniel Green

BRITISH AIRWAYS is to franchise its name to small independent airlines, starting with UK carrier Cityflyer, in a move that mimics the strategy of its large US rivals.

Cityflyer will sell all its scheduled services under the British Airways Express brand name. It will pay BA a royalty for its use and for marketing services.

It will keep its staff and financial independence but switch to BA livery and uniforms. The airline already has a sales and reservations deal with BA.

Mr Robert Ayling, BA man-

aging director, said yesterday that the deal was attractive because "capital was not at risk and income is guaranteed."

"We have seen this work successfully in the US and we are looking at at least one other possible [similar] transaction."

American Airlines, for example, franchises the name American Eagle to small carriers which then feed local services into American large hub airports.

BA's next target for a franchise is likely to be Maersk, the Danish carrier. The two airlines have close links and between them control Brynmor European Airways, formed last year from the merger of Plym-

outh-based Brynmor Aviation and Birmingham European Airways.

Cityflyer formerly operated flights for the holiday tour operator International Leisure Group, until that went bust in 1991. It was saved by a management buy-out and now flies to Belgium, the Netherlands, Germany, Ireland, the Channel Islands and within the UK.

The deal is part of BA's strategy to cut costs in less profitable activities. Recent changes include moving maintenance from Heathrow to Cardiff Airport, and the establishment of BA Regional to operate flights out of non-London airports with staff on lower wages.

## Page proposal for Hoskins lapses

A PLAN by Mr Adam Page, founder of Midsummer Leisure, to reverse some of his businesses into Hoskins Brewery, one of Britain's smallest quoted brewers, has formally lapsed although both parties say they remain committed to the deal, writes Catherine Milton.

Completion of the deal to inject three Fatty Arbuckle's theme bars into Hoskins in return for 41 per cent of its equity, was subject to notice being sent to shareholders by July 16.

This date could not be met partly because of calls for clarification from the Stock

Exchange and partly because of Hoskins' own due diligence. The delays meant that three successive completion deadlines were missed.

Hoskins said: "Discussions are still continuing with a view to resolving the outstanding matters in relation to the acquisition."

## Looking to be a bigger wheel

Andrew Baxter on AirBoss Ground Engagement's expansion plans

AIRBOSS Ground Engagement, which makes a unique puncture-proof wheel-and-tyre system, is launching a new phase of expansion that could generate rather more City interest than normal for a company with 19 employees and two years of losses.

AirBoss will begin volume production at its Didcot factory in the next few weeks of a new size of tyre designed for the front of backhoe loaders, or for all four wheels of a dumper or articulated wheel loader.

The AirBoss tyre, launched in 1991, has already made tracks in the market for skid-steer loaders, small multi-purpose machines such as the European market-leading Melroe Bobcat.

The tyre comes in slot-together non-pneumatic sections bolted to a specially-designed rim, and is marketed as the answer to punctures.

But according to Mr Andy Helby, AirBoss managing director, "It bugged us that we only had a tyre for skid-steers. We knew that we'd be unlikely to get rich like that."



Skid-steer loaders: a market with limited growth potential

The entrance of Abingdon-based AirBoss into a much bigger potential market might look like something of interest only to construction equipment insiders, but its corporate history suggests otherwise.

AirBoss is the wholly owned trading subsidiary of Select Industries, known until 1991 as Courtwell Group. Courtwell

was formerly the Bear Brand hosiery group, and was created in early 1990 when Bear Brand bought Leisure Investments for £90m.

In May 1990, Leisure Investments, whose interests included the Aspinall casino in London and the Lingfield racecourse, went into receivership. Courtwell sold its remaining

businesses and became a cash shell with £3m.

After examining about 60 business prospects, Courtwell settled on the new Australian-made tyre system, and in 1991 obtained the European licence from Perth-based AirBoss.

The result is that some 14,000 former shareholders in a range of activities including casinos and hosiery now hold shares in Select, whose only business is the Abingdon company.

So far, investors have not had much to show for their shares. Select incurred pre-tax losses of £1.36m and £1.18m in 1992 and 1991 respectively, and paid no dividends.

Yet, helped by the good prospects for the wheel system, Select made a successful £4.5m rights issue last year to fund the continuing development of new wheel sizes. AirBoss, which retains rights to most of the rest of the world apart from North America, is injecting a further £25m over the next three years to increase its stake in Select to 50.5 per cent.

Mr Edward Vandyk, the former Courtwell chairman who is now chief executive at Select, says he does not expect the group to be profitable until late 1994 at the earliest.

Shares in Select are currently traded under rule 535(2), but Mr Vandyk says the company has applied to join the Unlisted Securities Market to have a more "credible" market position.

But it does not need to raise new money, and still has to receive £2m of the money already raised. "This is the sort of project that has to be equity financed," says Mr Vandyk. Select's turnover has already jumped from £91,000 in 1991 to £465,000 last year, and is running at a higher rate again this year as the tyre's advantages become better known and AirBoss develops its European sales network.

AirBoss is talking to a number of backhoe loader producers about the tyre system, but recognises that it needs between 20 and 25 wheel sizes to exploit fully the construction equipment market.

The challenge for AirBoss will be to speed up new product development, in co-operation with AirBoss in Australia.

"The big wheels need a lot of R&D," says Mr Helby. "We started with scaled-up versions of the smaller wheels, but there are different challenges as the segments rub together... but we do expect to get quicker."

## Reduced finance charges help Aim improve to £3.6m

By Catherine Milton

PRE-TAX profits at Aim Group, the maker of aircraft interior fittings, improved from £3.1m to £3.6m in the year to April 30, but the rise was entirely attributable to reduced finance charges.

Operating profit declined to £4.01m (24.45m) as margins were eroded in a difficult market with aircraft cancellations and postponements. Mr Jeff Smith, chairman and chief executive, said: "Under the circumstances we were pleased it was such a small decrease."

Finance charges fell to £378,000 (£1.32m) on the back of the disposal in May last year of the contracting division. The sale realised £2.7m net cash including the release of some bank debt.

Turnover fell to £41.7m. Total sales in the previous period were £58m, including £15m from contracting.

Aim completed one refurbishment order for the VC10 within the first two months of its year and only started another, for the SAAB 2000, this spring.

Mr Smith said: "At the end of the day, more and more people are flying and you clearly can't fly without aircraft. Quite what the timing of any upturn will be is obviously a question of opinion and debate. My view is 1995 but I could be wrong."

The company did not adopt the new FRS 3 accounting standard. Mr Smith said he thought the standard would have been

"confusing". Under the new rules a £181,000 one-off gain on the disposal of the contracting division would have been included in pre-tax profits instead of being taken below the line.

Mr Smith said: "I am quite happy with criticism if it

comes. Given the timetable of the disposal it makes a great deal more sense to do it this way."

A recommended final dividend of 6p brings the total for the year to 7.5p (6.5p). Earnings per share improved to 16.6p (13.7p).

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Comes - pending dividend	Total for year	Total last year
Aim	6p	Oct 8	5	7.5	6.5
Exmoor Dual	7.3p	Sept 16	7	10	9.7
Exmoor Dual	2.7p	Sept 3	2.7	10.5	10.55
PSIT	2.625p	Oct 1	2.25	4.125	3.75
Scott Amer Inv	1.15p	Oct 5	1.08	4.35	4.35
Worthington	1.11p	Oct 4	1.1	1.8	1.4
Worthington Inv	5.5p	Sept 15	5.5	13.6	13.6

Dividends shown pence per share net except where otherwise stated. TON increased capital. SUSM stock. Third interim; makes 7.8p to date.

## PUBLIC WORKS LOAN BOARD RATES

Term	Quota loans*	Rate	Rate
1	50%	8%	5%
Over 1 up to 2	6	8	6%
Over 2 up to 3	8	8	6%
Over 3 up to 4	8	8	7
Over 4 up to 5	8	8	7%
Over 5 up to 6	8	8	7%
Over 6 up to 7	8	7	7%
Over 7 up to 8	7	7	8
Over 8 up to 9	7	7	8%
Over 9 up to 10	7	7	8%
Over 10 up to 15	8	8	8%
Over 15 up to 25	8	8	8%
Over 25	8	8	8%

\*Quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher than quota loans. TON increased capital. SUSM stock. Third interim; makes 7.8p to date.

This announcement appears as a matter of record only.



Hirsch

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July 1993

## Barclays de Zoete Wedd Warrants Limited

Warrants relating to "A" Restricted Shares of AB Astra  
1992/1994

Euroclear Code: 310394 Common Code: 003596436

In accordance with the terms of the Offering Circular dated 6th February 1992 notice is hereby given that, consequent to the five for one share split undertaken by AB Astra, the number and exercise price of the above warrants are adjusted as follows, with effect from Monday 14th June 1993. Each warrant holder now holds five warrants in place of each one held previously, and the exercise price is adjusted from 510 Skr to 102 Skr.

New Number of Warrants: 7,500,000  
New Exercise Price: 102 Skr

## NORTHERN ROCK BUILDING SOCIETY

£100,000,000  
Floating Rate Notes  
Due 1995

Interest Rate:  
6.1875% per annum

Interest Period:  
21st July, 1993 to  
21st October, 1993

Interest Amount per  
£5,000 Note due  
21st Oct., 1993: £77.98

Interest Amount per  
£50,000 Note due  
21st Oct., 1993: £779.79

Agent Bank  
Barings Brothers & Co., Limited





- **Working costs per kilogram**  
- Increased by 1.4% on previous quarter  
- decreased by 2.0% on quarter ended June 1992
- **Income after tax**  
- up 20.8% on previous quarter  
- up 5.8% on quarter ended June 1992

- **Dividends**  
- Buffelsfontein 165 cents per share  
- Stilfontein 30 cents per share  
- Grootvlei 30 cents per stock unit  
- St Helena 85 cents per share

## GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 JUNE 1993

All companies mentioned are incorporated in the Republic of South Africa

### STILFONTEIN Gold Mining Company Limited

Company Registration No. 0523412/08

#### Dump operations fund closure

Issued capital - 13 062 920 shares of 50 cents each.

	Quarter ended	Quarter ended	9 months ended
	30.6.93	31.3.93	30.6.93
<b>OPERATING RESULTS</b>			
Mined	290 000	282 000	572 000
Yield	1.0	1.0	1.0
Gold produced	300	280	580
Working revenue	34 553	33 528	34 048
Working costs	31 547	30 855	31 108
Working income	3 006	2 673	2 940
Gold price received	34 329	33 175	33 175
Gold price received	346	330	338
<b>FINANCIAL RESULTS (R'000)</b>			
Working revenue	10 386	9 723	20 089
Working costs	9 801	8 880	17 781
Retrenchment costs	583	563	1 146
Working income	902	833	1 738
Sundry income - net	1 222	977	2 299
Tribute payments - net	90	75	165
Income before tax and lease	2 144	1 735	3 879
Tax and lease	2 144	1 735	3 879
Income after tax and lease	1 778	1 282	3 060
Capital expenditure	3 919	1 282	3 919
Dividend declared	3 919	1 282	3 919

REMARKS

- During the quarter 120 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 - 458 kilograms were hedged at an average price of R33 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

- Interim dividend No. 75 of 30 cents per share was declared.

### BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 052334/06

#### Multigold project funded by improved performance

Issued capital - 11 000 000 ordinary shares of R1 each.

	Quarter ended	Quarter ended	9 months ended
	30.6.93	31.3.93	30.6.93
<b>OPERATING RESULTS</b>			
Mined	113 527	106 133	410 481
Yield	480 000	445 000	1 785 000
Gold produced	88 000	88 000	264 000
Working revenue	557 000	533 000	2 145 000
Working costs	2 750	2 750	8 250
Working income	554 250	530 250	2 136 750
Gold price received	36 158	33 128	33 088
Gold price received	346	330	342
<b>FINANCIAL RESULTS (R'000)</b>			
Working revenue	125 938	113 228	440 870
Working costs	104 147	98 441	380 018
Retrenchment costs	1 050	2 058	4 308
Working income	20 738	14 729	56 453
Sundry income - net	2 369	8 719	14 327
Tribute payments - net	3 119	3 240	11 697
Income before tax and lease	12 978	9 248	29 083
Tax and lease	12 978	9 248	29 083
Income after tax and lease	1 220	1 220	1 220
Capital expenditure	18 193	269	13 292
Dividend declared - ordinary shares	8 000	7 000	27 000
<b>DEVELOPMENT - Reef &amp; "C" Reef</b>			
Advanced	3 740	3 874	15 380
Advanced on reef	408	478	1 734
Sampled	75	70	85
Channel width	23.2	26.4	26.4
Average value - gold	1 761	1 850	1 848

REMARKS

- Estimated capital expenditure for the next six months - R31.1 million.

- During the quarter 1 433 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 - 5 452 kilograms were hedged at an average price of R33 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

- Final dividends No. 72 of 165 cents per ordinary share and No. 25 of 18 cents in respect of the cumulative preference shares have been declared.

### KINROSS Mines Limited

Company Registration No. 030522/06

#### Excellent performance

Issued capital - 18 000 000 stock units of R1 each.

	Quarter ended	Quarter ended	9 months ended
	30.6.93	31.3.93	30.6.93
<b>OPERATING RESULTS</b>			
Mined	108 080	101 885	314 761
Yield	466 000	473 000	1 423 000
Gold produced	1 700	1 630	5 230
Working revenue	34 688	33 006	33 343
Working costs	24 038	24 752	24 387
Working income	10 650	8 254	8 956
Gold price received	34 354	32 123	33 123
Gold price received	344	323	340
<b>FINANCIAL RESULTS (R'000)</b>			
Working revenue	108 227	105 058	317 886
Working costs	75 922	76 787	232 156
Working income	32 305	28 271	85 730
Sundry income - net	4 241	3 415	10 316
Tribute and royalty payments - net	37 082	29 855	96 255
Income before tax and lease	14 705	11 787	35 284
Tax and lease	22 988	18 698	60 954
Income after tax and lease	7 874	6 171	22 531
Capital expenditure	21 600	21 600	21 600
Dividend declared	21 600	21 600	21 600
<b>DEVELOPMENT - Kimberley Reef</b>			
Advanced	4 145	5 061	14 787
Advanced on reef	1 255	1 444	3 680
Sampled	1 228	1 455	3 680
Channel width	30	42	38
Average value - gold	22.0	21.0	21.9
Average value - gold	571	571	554

REMARKS

- Estimated capital expenditure for the next six months - R16 million.

- During the quarter 1 248 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 - 4 458 kilograms were hedged at an average price of R33 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

### UNISEL Gold Mines Limited

Company Registration No. 721060/08

#### Difficulties encountered in maintaining payable ore reserves

Issued capital - 28 000 000 shares of no-par value.

	Quarter ended	Quarter ended	9 months ended
	30.6.93	31.3.93	30.6.93
<b>OPERATING RESULTS</b>			
Mined	34 260	35 745	116 268
Yield	180 000	225 000	690 000
Gold produced	1 200	1 450	4 080
Working revenue	35 280	32 807	32 458
Working costs	28 446	26 248	27 499
Working income	6 834	6 559	4 959
Gold price received	35 194	32 810	33 404
Gold price received	346	340	342
<b>FINANCIAL RESULTS (R'000)</b>			
Working revenue	42 319	47 715	136 847
Working costs	34 144	38 058	109 883
Retrenchment costs	1 191	2 384	2 384
Working income	6 984	9 273	24 580
Sundry income - net	1 388	1 078	2 863
Tribute and royalty payments - net	886	1 484	3 843
Income before tax and lease	7 457	9 248	23 520
Tax and lease	1 537	2 487	6 024
Income after tax and lease	5 920	6 761	17 496
Capital expenditure	2 778	858	5 368
Dividend declared	5 920	6 761	17 496
<b>DEVELOPMENT</b>			
Advanced	2 341	348 278	67 188 367
Advanced on reef	328	214 437	25 152 154
Sampled	223	207 354	22 177 100
Channel width	93	180 105	118 192
Average value - gold	10.3	10.1	8.7
Average value - gold	955	935	708

REMARKS

- Production levels have been reduced to 900 kilograms per quarter due to the lower than expected values of recent Basal Reef development and large wash out areas of Basal Reef.

- Estimated capital expenditure for the next six months - R6.7 million. This includes R4.5 million for additional refrigeration.

- During the quarter 480 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 - 1 354 kilograms were hedged at an average price of R33 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

### The GROOTVLEI Proprietary Mines Limited

Company Registration No. 016208/08

#### Mine's future depends on reducing costs

Issued capital - 11 438 816 stock units of 25 cents each.

	Quarter ended	Quarter ended	9 months ended
	30.6.93	31.3.93	30.6.93
<b>OPERATING RESULTS</b>			
Mined	28 545	29 088	86 153
Yield	111 000	112 000	335 000
Gold produced	817	865	2 547
Working revenue	34 254	33 165	33 686
Working costs	32 484	30 251	31 330
Working income	1 770	2 914	2 356
Gold price received	34 020	32 887	33 441
Gold price received	346	330	338
<b>FINANCIAL RESULTS (R'000)</b>			
Working revenue	21 135	21 351	62 486
Working costs	20 030	19 812	59 542
Working income	1 105	1 539	2 944
Sundry income - net	1 105	1 539	2 944
Tribute payments - net	91	147	228
Income before tax and lease	2 190	2 972	6 103
Tax and lease	1 132	1 212	2 344
Income after tax and lease	2 110	1 761	3 891
Capital expenditure	434	90	574
Dividend declared	3 432	1 671	3 432
<b>DEVELOPMENT</b>			
Advanced	536	1 244	389
Advanced on reef	288	854	205
Sampled	285	849	198
Channel width	82	115	13
Average value - gold	21.1	22.1	21.1
Average value - gold	1 454	1 741	475

REMARKS

- Unless working costs are reduced, the future of the mine is uncertain.

- Estimated capital expenditure for the next six months - R2.8 million.

- During the quarter 247 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 - 4 737 kilograms were hedged at an average price of R33 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

- Interim dividend No. 106 of 30 cents per stock unit was declared.

### Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

#### Improved performance funds capital expenditure

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

	Quarter ended	Quarter ended	9 months ended
	30.6.93	31.3.93	30.6.93
<b>OPERATING RESULTS</b>			
Mined	102 958	119 042	488 445
Yield	400 000	400 000	1 200 000
Gold produced	3 250	3 200	12 204
Working revenue	34 868	33 154	32 117
Working costs	21 182	22 171	22 248
Working income	13 686	10 983	9 869
Gold price received	34 733	33 002	32 858
Gold price received	346	331	341
<b>FINANCIAL RESULTS (R'000)</b>			
Working revenue	113 128	105 997	419 182
Working costs	88 563	70 540	290 498
Retrenchment costs	258	408	2 111
Working income	24 307	35 051	126 572
Sundry income - net	3 013	1 775	8 118
Tribute and royalty payments - net	16 989	16 889	62 727
Income before tax and lease	30 329	20 827	89 881
Tax and lease	11 707	9 866	30 703
Income after tax and lease	18 622	10 961	59 178
Capital expenditure	9 087	1 444	14 107
Dividend declared - preference shares	6 000	7 000	27 000
<b>DEVELOPMENT - Beatrix Reef</b>			
Advanced	6 263	8 481	27 810
Advanced on reef	1 454	2 518	6 589
Sampled	1 543	2 588	7 654
Channel width	20.6	18.0	18.0
Average value - gold	782	854	829

REMARKS

- Estimated capital expenditure for the next six months - R15 million.

- During the quarter 1 300 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 - 4 737 kilograms were hedged at an average price of R33 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

- Following the recent labour unrest on the mine, the surface reef stoppage was completed. However, the labour situation has since returned to normal after 1 700 employees left the mine.

- Expenditure of R76.58 million, in January 1993 terms, for declines to access the ore reserves below 16 Level, has been approved.

### ST. HELENA Gold Mines Limited

Company Registration No. 052074/06

#### Sharply higher dividend

Issued capital - 9 825 000 ordinary shares of R1 each.

	Quarter ended	Quarter ended	9 months ended
	30.6.93	31.3.93	30.6.93
<b>OPERATING RESULTS</b>			
Mined	28 427	23 972	52 399
Yield	173 000	148 000	321 000
Gold produced	1 062	1 065	3 127
Working revenue	36 468	30 099	34 566
Working costs	32 755	32 382	32 528
Working income	3 713	7 717	2 038
Gold price received	35 314	32 827	34 059
Gold price received	346	333	340
<b>FINANCIAL RESULTS (R'000)</b>			
Working revenue	35 341	25 048	74 254
Working costs	35 441	25 048	70 489
Working income	2 893	7 230	3 765
Sundry income - net	8 096	6 108	15 204
Income before tax and lease	11 429	7 540	18 969
Tax and lease	5 901	2 985	8 886
Income after tax and lease	5 528	4 555	10 203
Capital expenditure	52	826	878
Dividend declared - ordinary shares	8 181	8 181	8 181
<b>DEVELOPMENT</b>			
Advanced	413	61	569
Advanced on reef	62	51	86
Sampled	45	84	15
Channel width	123	175	138
Average value - gold	14.9	2.2	15.6
Average value - gold	1 625	391	2 184



## COMPANY NEWS: UK

# PSIT plc

## PROFIT UP INCREASED DIVIDEND

Extracts from the statement by the Chairman, Mr. A. R. Perry.

- Group profit before tax rose from £6.7 million to £8.7 million.
- Investment rents up from £17.7 million to £19.6 million.
- Capital gains of £1.3 million.
- Completion of Australian district shopping centre extension this year.
- Overseas properties increased in value.
- All interest written off against revenue.
- No off balance sheet accounting.
- Net asset value rose from £1.40 to £1.42 per share.
- Total dividend 4.125p for the year compared with 3.75p for the previous year.

### Results for the year ended 31st March 1993

	1993	1992
Total rents receivable	19,881	17,953
Net property income	18,630	16,613
Profit before tax	8,665	6,720
Shareholders' funds	162,519	161,081
Ordinary dividend per share	4.125p	3.75p

Copies of the full statement may be obtained from G. H. Cairnes, Managing Director, PSIT plc, Fatcham Park House, Lower Road, Fatcham, Surrey, KT22 9HD.

## Eve Group improves 27% to £4.15m

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Eve Group, the specialist contractor, jumped by 27 per cent from £3.26m to £4.15m during the 12 months to the end of March - in spite of enduring the "worst construction industry recession for half a century."

The company has increased dividend payments every year since it floated on the USM in 1986. The final dividend this time is raised to 7.3p making a total of 10p (9.7p) for the year.

Following the better-than-expected results, the shares rose 23p to 400p.

Profits would have been even higher but for a £500,000 provision against its commercial property interests. Turnover rose from £38.1m to £53m while earnings per share increased by more than a fifth from 22.5p to 27.4p.

The outcome also included £265,000 representing five months' profits from Graham Bros, the Middlesbrough-based specialist electrical contracting and engineering company, acquired last autumn.

Eve's strength is its specialist contracting division, which is one of only a handful of com-

panies carrying out work for the National Grid Company, erecting transmission lines and pylons. The division also erects transmission towers for radio, telecommunications and television companies.

The division's turnover and profits have remained strong in spite of recession in the rest of the construction industry, which has prompted a sharp fall in margins in Eve's general building business.

Construction profits, which includes specialist contracting and general building, rose by a quarter from £3.15m to £3.95m. This was despite a fall in the division's profit margins from 8.6 per cent to 8.2 per cent, said Mr. Gerald Hough, managing director.

Profits from Trakway, which provides portable roadways for construction sites, exhibitions and concerts, rose from £856,000 to £2.88m, helped by an increase in pop concert work, said Mr. Hough.

Property development losses rose from £104,000 to £576,000 after the £500,000 provision.

Construction industry analysts said they expected the group to make profits of at least 25m this year, provided there were no further provisions.

## Worthington looks to current year

WORTHINGTON Group, the Staffordshire-based textile accessories company, saw pre-tax profits tumble 38 per cent over the 12 months to March 31.

The decline - from a restated £1.06m to £652,000 - reflected the continuing disappointing performance of the button wholesaling and trimming operations.

However, Mr. Jack Grant, chairman, sounded an optimistic note: "The first quarter of the current year has seen significant improvements in all

trading operations... problems in our button business appear to have now been resolved."

Turnover improved to £14m (£13.8m). Comparisons for the previous year were restated to allow for the merger accounting of Hulme Holmberg and Atorp, acquired in August.

Mr. Grant said the group planned further expansion, both through organic growth and acquisition.

The final dividend is held at 1.1p making a total of 1.6p (1.4p), payable from earnings of 3p (4.3p) per share.

### NEWS DIGEST

## Waterglade calls off board move

WATERGLADE International and its associates have withdrawn their request to Seafield, the Dublin-based transport and property group, to hold an extraordinary meeting to replace the entire current board with executive directors of Waterglade.

Mr. Brian Chilver, chairman of Seafield, said "Waterglade's decision to cancel their move is most welcome. We can now get on with running the company for the benefit of all shareholders."

amounted to £3.84m (£4.58m) for earnings per share of 1.72p (2.05p).

## Yeoman net assets improve to 400p

Net asset value of the split-capital Yeoman Investment Trust amounted to 400.4p per capital share at June 30, up from 343.4p at the December year-end and 161.2p at end-June 1992.

The trust, managed by Abbey Life Investment Services, reported net revenue of £2.03m (£1.58m) for the six months to June 30, equivalent to earnings of 8.28p (6.43p) per income share.

The interim dividend is unchanged at 5.5p.

## Asset increase for Scottish American

At June 30 1993 net asset value of Scottish American Investment stood at 163.1p, a rise of 10.9p over the December 31 figure.

On June 30 1992 the value was 135.6p.

There is a second interim dividend of 1.15p, making 2.29p to date. Directors are forecasting an increase of 6.4 per cent to 4.63p in the total, which will more than compensate shareholders affected by the reduction of tax credits.

In the first half of 1993 income totalled £8.31m (£8.81m). Net revenue

## Eurotunnel adjusts warrants terms

Following the issue of free warrants to existing shareholders, Eurotunnel has adjusted the number of units for which holders of founder warrants and 1991 warrants are entitled to subscribe.

The holder of one founder warrant can now subscribe for 11.20 units (previously 10.78) at £9.72 plus FF100 (£11.36). This takes effect from July 23.

The holder of one 1991 warrant can apply for 1.11 units (formerly 1.07) at £1.75 plus FF17.50. They are not exercisable at present.

## Renishaw shares fall on profit warning

By Richard Gourlay

SHARES IN Renishaw, the engineering group that makes specialist measuring equipment, fell 34p to 240p yesterday after the group warned its profits would not meet market expectations.

It said pre-tax profits for the year ended June 30 would be 20 to 25 per cent lower than the maintained 23m expected by the City.

Germany, France and Japan, its main markets, were still suffering from worldwide recession. The group relies heavily on selling its measuring probes to makers and users of the industrialised world's machine tools.

Mr. Ben Taylor, assistant chief executive, said Renishaw had also sold forward some of its export earnings, including most of its D-Marks, just before sterling was forced out of the ERM last September.

Had this approach not been adopted, devaluation would have allowed translation gains to draw the sting from the lack of trading recovery in Japan and Germany.

Renishaw said that while profits would fall below market expectations this year, there were "indications of increased activity in the North American market, growing demand in the UK and indications of substantial potential demand in the Far East."

Demand for new products, like its scanning products and microscopes, were also "encouraging."

The group would also benefit this year from sterling's departure from the ERM.

At the end of June the group realised sales in Germany and Japan particularly had been softer than expected.

Mr. Taylor said margins had also come under some pressure, particularly from some customers who had promised discounts to their customers and wanted Renishaw to share some of the pain.

## First Maryland Bancorp up 27%

First Maryland Bancorp, the wholly owned US subsidiary of Allied Irish Banks, yesterday reported profits up 27 per cent to \$31m (£20.6m) for the second quarter of 1993.

This brings the outcome for the first six months of the year to \$59.5m, an increase of 34 per cent over the comparable period of 1992, and representing a return on assets of 1.29 per cent and a return on equity of 16.47 per cent.

Improvement in net interest margin from 4.48 per cent to 4.7 per cent, an increased volume of earning assets and higher non-interest income, including securities gains, were the principal contributors to the rise in profits, directors explained.

## Trust of Property asset value jumps

Over the six months ended June 30 1993 net asset value of Trust of Property Shares rose by 44 per cent, against a growth of 37 per cent in the Property Index.

The trust was boosted by a 48 per cent increase in its principal equity holding, Pope Estates, the town centres shopping investment company.

Value per share was £2.43p, compared with 57.14p. At June 30 1992 it stood at 69.02p. Net revenue totalled £30,518 (£30,602) and earnings per share worked through at 0.462p (0.464p).

## National Express buys East Midlands Airport

By Paul Cheswright, Midlands Correspondent

NATIONAL EXPRESS, the motor coach services group, is expanding into airport management with the acquisition for £27.1m of East Midlands International Airport at Castle Donington, Leicestershire.

The purchase marks the first privatisation of a leading regional airport. East Midlands is the fourth largest in the UK.

Last month National Express emerged as the leading bidder of four contenders for the airport, and has since been negotiating the price with accountants KPMG Peat Marwick, which acted for the local authority owners.

National Express is funding £3.75m of the consideration through a placing of 1.8m new shares, which represent about 5 per cent of the capital, at 210p a share. Yesterday the shares moved up 8p to 223p.

The issue has been underwritten by Morgan Grenfell; Smith New Court Corporate Finance are brokers.

However, the bulk of funding comes from the group's own cash holdings (£5.8m) and from £17.5m of medium-term bank debt. This borrowing means the group is taking on gearing which, by the end of this year, should be 50 per cent. The airport's net asset value is £10.5m higher than the purchase price at £27.1m and it is generating cash. In the year to last March its pre-tax profits rose to £3.36m on turnover of £17.8m, from £2.48m on turnover of £15.5m.

As an investment the airport stands alone. Mr. Adam Mills, deputy chief executive, said that any capital expenditure until about the end of the century could be funded internally. "The airport has the resources to do most things it wants to do in the foreseeable future."

National Express takes over the airport from the Derbyshire, Leicestershire and Nottinghamshire County Councils and the Nottingham City Council. The other contenders to buy it were management buy-out team, Lockheed, the US group, and Regional Airports, a privately-owned UK company.

## Verity seeks £5.9m in move to reduce borrowings

By Peter Franklin

IN A move to reduce gearing and strengthen its balance sheet, Verity Group, the USM-quoted company which manufactures and distributes Wharfedale and Mission loudspeakers, is seeking to raise £5.9m net of expenses via two placings and an open offer.

Directors said that, in the light of the forecast loss of up to £4.25m for the year to June 30 and the resultant diminution in net assets, an injection of fresh funds was necessary to secure the company's future.

Verity proposes to raise £4.9m via a placing and open offer of 83.3m shares at 64p each.

Qualifying shareholders will be entitled to apply for the new

shares on a 19-for-23 basis. Verity's management is committed to subscribe (subject to clawback) for £1.8m of the shares.

There will be a separate placing of 15.4m shares, also at 64p, with Tomet, a Hong Kong-based manufacturer of electronic and electrical products which acts as a distributor for Verity's products.

Because Tomet has conditionally subscribed for a fixed number of new shares, shareholders will not be entitled to a clawback.

Following the placing Tomet will hold about 7.7 per cent of Verity.

In addition to the offers, Bank of Scotland will subscribe £1.5m for preference shares in Verity Investments, a wholly owned subsidiary.

The proceeds of the subscription will be used to fund the purchase of the Huntingdon property from Centralforce Holdings, from which Verity acquired the Mission and Cyrus brand names in September 1992.

These proceeds will in turn be used by Centralforce to repay the mortgage on the Huntingdon property and to reduce group borrowings.

As a result of the proposals Verity's gearing will be reduced to about 34 per cent and net assets increased to some £7.8m.

In order to enhance the marketability of Verity's shares, the directors have applied to the Stock Exchange for a full listing. Dealings are expected to begin at August 19.

### PUBLIC ANNOUNCEMENT

### TO THE HOLDERS OF

## GLENFED, INC.

### 7.75% Convertible Subordinated Debentures Due 2001

An informational meeting has been scheduled for the Holders of GLENFED, Inc., 7.75% Convertible Subordinated Debentures due 2001 to discuss the terms of the exchange offer for the debentures that was made by GLENFED's wholly-owned subsidiary, Glendale Federal Bank, on July 8, 1993. The meeting will be held on Monday, July 26, 1993. Representatives of GLENFED, Glendale Federal Bank, and The First Boston Corporation, which is acting as Dealer Manager for the exchange offer, will be present at the meeting to answer questions of debenture holders. Holders of the GLENFED debentures are strongly encouraged to attend the meeting at the address listed below:

Howard Hotel  
Temple Place  
Fitzalan Suite  
London  
WC2R 2PR  
2:30 PM

Holders of the GLENFED debentures who would like information prior to the meeting are asked to call:

The First Boston Corporation  
New York, New York  
c/o Mr. Joseph Carrabino  
0101 212 909-3742 (Call Collect)

Holders of the GLENFED debentures who are unable to attend the meeting scheduled for Monday, July 26th, 1993, at 2:30 PM can be conferred in by calling the following numbers:

Within the United Kingdom 081-401-1066  
Outside the United Kingdom 44-81-401-1066

This announcement appears as a matter of record only.

New Issue

July 1993



**Banco Central Hispanoamericano, S.A.**  
(Incorporated with limited liability in Spain)

International Offering of  
2,000,000 Ordinary Shares

Offer Price Ptas. 3,552 per Share

Merrill Lynch International Limited

James Capel & Co. Commerzbank Aktiengesellschaft  
Dillon, Read Securities Limited Kiepert Benson Limited  
Société Générale UBS Limited

ATLANTIC VENTURE INTERNATIONAL, INC.

is pleased to announce that it

Identified and Acted as Project Manager

in

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MONTGOMERY BROTHERS MACHINE COMPANY, INC.  
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£200,000,000

Floating Rate Notes Due 1994

Interest Rate: 6.2125%

Interest Period:  
21st July, 1993 to 21st October, 1993

Interest Amount per £5,000  
Note due 21st October, 1993  
£78.29

Interest Amount per £50,000  
Note due 21st October, 1993  
£782.95

Agent Bank  
Baring Brothers & Co., Limited

Nationwide

£250,000,000

Floating Rate Notes  
Due 1996

Notice is hereby given that  
the notes will bear interest  
at 6.1625% per annum  
from 21st July, 1993 to 21st  
October, 1993. Interest  
payable on 21st October,  
1993 will amount to  
£77.66 per £5,000 note to  
£776.64 per £50,000 note.

Nationwide Building Society

Agent Bank  
Baring Brothers & Co., Limited

مكة المكرمة



## TECHNOLOGY

The Peugeot plant in Coventry has adopted leaner manufacturing, standardisation and a just-in-time philosophy, writes Claire Gooding

# On the road to a slicker operation

## SOFTWARE AT WORK

The assembly line at Peugeot's Ryton plant in Coventry stops and a group of men and women converge on one car. There is an urgent, almost wordless, team effort, with people pulling, prodding and drilling at parts of the car, an embryonic Peugeot 405, before they rush back to their production jobs along the line. The delay while the problem is fixed is just 10 seconds. Then the line restarts and the vehicle's individual build-chart receives a tick and a comment.

"Quality is something you build in; it can't be inspected into a vehicle," says Colin Poynton, materials handling manager at Ryton. Two hours previously, the car did not exist. In another 10 hours, it will roll off the assembly line, ready to drive away. The people around the assembly line appear to be performing a precise, high-pressure formation dance, in an endless race with the slow-moving line. The plant produces right and left-hand drive 306 and 405 family models for the UK, New Zealand, Cyprus and parts of Africa and left-hand drive vehicles for most of Europe.

The process of building a new car has come a long way since Henry Ford decreed "any colour so long as it's black". Customers hold the whip hand on choice of specification and colour. Each car that comes off the line has been specified, with dozens of choices already made, down to the colour of the seats, trim and even the fascia. More than 87 per cent of the cars' contents originate in the UK.

Computerisation was introduced to the Ryton plant in 1985. It had to come to grips with the immense changes brought about by "lean manufacturing", but now has a smooth *kanban* operation - a Japanese-derived form of stock control - in which parts are replenished within five, and sometimes only two, hours.

"We're continually aiming to reduce the stock we hold," explains Poynton. He recalls when the cavernous factory was filled almost to the roof with racking for components and the metal "skullage" trays used for large sub-assembled parts. Now, the stacks carry only the parts used for the cars within view and fork lift trucks pass constantly up the empty aisles replenishing the queues, carrying parts that have been assembled and delivered in a couple of hours.

"There was a time when everybody wanted to build up stocks, and make time for themselves. There is a different attitude now. What we want is a consistent work rate, keeping the stock level right. Now it's second nature, but only as a benefit of re-education," says Poynton. The slick operation puts high demands on suppliers to Peugeot Talbot, the UK operation of the

French group. In common with many manufacturers, Peugeot is developing "partnership" deals, aiming for one supplier per part. The suppliers for its 8,300 components have been reduced from 600 to 380. In the case of the fascia, the supplier, Hills Precision Components, is nearby, but most communications are done through electronic means.

### BUZZWORDS

**LEAN MANUFACTURING** (originated at Toyota), refers to the production of a varied product with fewer people, less space, and a smaller inventory, underpinned by flexible MRP II (Management Resources Planning) software. This also means more skilled teams and flexible mechanisation, catering for volume and variety.

**JUST-IN-TIME (JIT)** systems, refers to the process where each component is flagged by a card (*kanban*). When the rack, bin, or container is empty, the return of the card down the line to the shop floor indicates the need to replenish the bin. At Peugeot Talbot the *kanban* is an electronic barcode and messages are sent electronically.

**Trunk data interchange (EDI)**. Poynton gives an example of the eight cars being built for New Zealand. "Until we have the first four on the line here, we won't even pass the order for the fascia and seats to the supplier for the next four." Twelve times a day, faxes arrive on the HPC shop floor, specifying fascia assemblies for delivery to Ryton. There is a precise requirement for

each one, including left or right-hand drive and four colours. The company assembles them from its stock, and delivers the completed components within two hours. Seats, door casings and steering wheels are on continuous order, in a constant flow for individual cars. Part of the job was creating single supplier relationships, along the same lines as Peugeot Talbot.

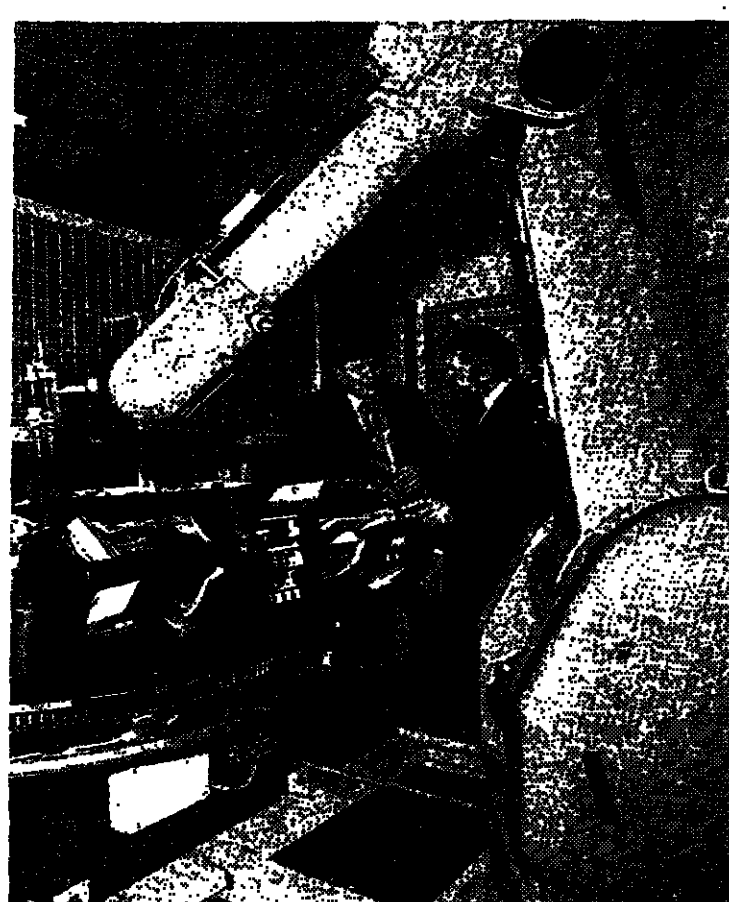
This meant reducing the supplier base to 280 reliable "partners" for the 3,000 or so different components. Even when the system of Bill

owned that material. People always think there's something else on the way, but it doesn't work like that."

Peugeot Talbot is a part-owner of HPC, and its largest customer, but by no means its only one. From 1987 onwards, HPC's customer base expanded to include Jaguar Cars, Rover and Honda. Its product range, once limited to soft trim and plastic moulding, was extended to include the entire seat, steering wheels and fascia. With a 20-fold increase in turnover between 1988 and 1993, it became clear that new systems were needed to accommodate the variety of work and customers.

Two years ago, HPC decided to invest in a broader-based manufacturing system that would support all aspects of the cycle. The decision came at a time when an associated company in HPC's parent group was reviewing and standardising software systems. HPC decided to tap into central expertise, and took a version of the Data 3 package from its French parent. A steering committee, and a constant updating of skills eased the introduction of the new system at HPC. Nevertheless, the implementation was not without hiccups, mainly because of problems with customisation and associated training requirements.

In 1991, HPC was falling so far behind schedule that it decided to take the French version of the system from its parent. This is used



Just-in-time: Bill McGilvray (left) and Colin Wilson of Hoskins watch the robotised manufacture of facias using Data 3

throughout France and Europe, with new releases verified centrally before implementation. This results in group-wide standardisation, well worth the effort of using screens in French, according to McGilvray. The Data 3 software now provides full control over in-process stocks, enabling HPC to pass some of the just-in-time philosophy on to its own suppliers.

McGilvray has been able to introduce some local flexibility. For

instance, he buys foam from an English supplier and uses a local transport company to provide a buffer by storing the foam, a sort of halfway house which saves on space at the HPC site.

"Data 3 has focused us on how we look at the business in a structured way. The mentality has changed. At the monthly meetings on sales and operations planning, we now look at what's happened, and at the next four months and its implications, something we could not have done before."

Both Poynton at Peugeot Talbot, and McGilvray at HPC, have had to give up individual systems that have served them well, in the cause of standardisation. McGilvray misses his trusty Adds Mentor receiving system which in some areas provided more tailored functions than Data 3. But both managers were enthusiastic about the benefits of standardisation and improvement of communication throughout the Peugeot group.

"More resources going into standardisation means more ideas," says Poynton. "We now have the benefit of people throughout Europe feeding good ideas into the system and thinking of ways to improve it."

### CONSULTANT'S CRITIQUE

The relationship with software suppliers is complicated. While Hoskins markets Data 3 in the UK, it does not have the rights in France. When updates are released to ECIA plants in France, the French supplier has no interest in helping Hoskins - a direct competitor - to maintain the UK version. HPC has the choice of missing updates or taking them in French. Its choice of the latter must delight the parent company which encourages workers to study foreign languages.

Making parts to order, rather

than having long production runs has demanded greater flexibility of Hill's staff. While McGilvray expected resistance, the workers actually value the variety. This is in line with the predictions of job design experts who suggest job satisfaction can be improved by increasing variety and autonomy.

Underlying this is an implicit trust in the workforce. Twenty years ago, wildcat strikes would have made the whole thing impossible. No manager would have risked holding only a few hours' stock.

"Just in time" is an effective technique but a finely balanced one. Traffic delays could bring production to a halt.

HPC keeps a five-day buffer of foam via a transport company. The foam belongs to the manufacturer and does not appear on HPC's balance sheet. HPC pays a small premium to hold the reservoir nearby. Such "off-balance sheet" stockholding must be a business opportunity for other intermediaries.

McGilvray has brought many changes to HPC, which has affected the bottom line

- turnover and profit have increased dramatically. This is the acid test for any system. Lessons from this study:

- Effective use of IT can transform production capability.
- Just-in-time merely pushes your stockholding problem on to someone else.
- Opportunities may be created for intermediaries to hold buffer stocks as off-balance sheet items.

Kevin Grumball  
The author is a consultant at Software Design and Construction, of Milton Keynes

## MANAGEMENT: MARKETING AND ADVERTISING

Damian Fraser and Joel Kibazo report on the growing market for ads aimed at Hispanic and black audiences

# Complementing the mainstream

One of the latest and most effective US television advertisements from Avon, the US cosmetic company, portrays a child gently touching the face of its mother, associating a new skin-care product with youth, family and purity.

The advertisement was memorable for Avon because it was produced in Spanish, shown on the two US Spanish-language networks and was culturally tailored to the child-loving Hispanic audience. Soon after being aired, the product "Anew" became the number one skin lotion for US Hispanics.

Similar successes in Hispanic marketing can now be found throughout corporate America, as big companies wake up to the implications of a rapidly growing Hispanic market of some 24m consumers. Last year Hispanics spent an estimated \$221bn (£147bn) - about 5 per cent of the US total.

Coca-Cola, which in common with Avon has a dedicated Hispanic marketing department, recalls that five years ago it made just five creative Hispanic television and three radio spots in the year. Now it makes 20 Hispanic television spots a year, and 10-12 radio ads, and enjoys a commanding lead in the soft-drinks market for Hispanics.

While companies such as Coca-Cola also target advertising at other minorities, such as blacks or Asian-Americans, this complements rather than substitutes mainstream advertising. Such minorities do not have their own language or television network, making it harder to target them as a group.

Most Hispanics, by contrast, do not fully understand English, prefer when possible Spanish to mainstream Anglo television, and rarely read English-language newspapers and magazines. That leaves big companies, keen to capture Hispanic market share, little choice but to air Spanish-language ads.

The result has been something of a boom in Spanish-language advertising, with scores of Hispanic advertising companies setting up in the past decade to cash in on the growth. In 1991, Hispanic agencies billed \$733.5m, up from \$350.1m in 1988, according to Hispanic Business, a California-based magazine.

Riding the crest of the wave are the two Spanish-language networks, Univision and Telemundo. While over-burdened by debt, their revenues have increased by an average 20 per cent a year since 1987. Joaquín Blaya, who moved from chief executive of Univision to head of Telemundo last year, says: "For

years we could not even get to see companies. Now we are being called all the time to make presentations."

The Hispanic marketing is fed not just by large numbers of Hispanics, but by expected growth over the next decade. By 2000 Hispanic population is likely to be more than 30m, and will be at the point of overtaking blacks as the US's largest minority. Consumer spending will have risen to \$450bn, about 7 per cent of the then total, according to a study by DRI/McGraw Hill.

Hispanics already account for one out of four new households, according to Doug Darfield, vice-president at Univision, and are crucial to businesses hoping to capture new markets, especially in household goods. Since many have just arrived in the US, they are easily influenced by advertisements, not having well-established consumer tastes.

Hispanic advertisements that are straight translations of English ones usually fail to work. Hispanics

are younger, more family-orientated and less knowledgeable about US consumer culture than Anglos. Even when mainstream Anglo-style advertisements are translated, many Hispanics do not respond to appropriately and may not even understand them.

US companies have drawn up distinctive campaigns to draw Hispanics to their products. In Texas Coca-Cola runs advertisements with a well-known Hispanic singer, Selma, hoping to convince Hispanic customers that Coca-Cola is "talking to me, is relevant, says who I am", according to Bonnie Garcia, the head of the Hispanic consumer market department at Coca-Cola.

Often companies have to tailor advertisements to local Hispanic markets, since Hispanic consumers vary. The wealthy Cuban-American in Miami has little in common with the poor Mexican-American in southern California, or the Puerto Rican in New York. Car advertise-



Coca-Cola is running a distinctive Hispanic ad in Texas

ments in Miami might thus show a flashy sports car, but in southern California a pick-up truck.

Occasionally companies send different, even conflicting messages to Anglo and Hispanic consumers. Lionel Sosa, of Sosa Bronley Aguilar & Associates, contrasts an Anglo campaign of Western Union, that stresses speed at which money is delivered ("the fastest way to save money"), with the Hispanic slogan that stresses the safety

("uniting families for 120 years").

Not all Hispanic ads are so successful. David Flynn from the Hispanic arm of GSD&M, an agency in San Antonio, Texas, recalls a Hispanic ad for an insurance company that portrayed an elderly woman in a nursing home, lauding the benefits of her insurance coverage. Hispanics look after their ageing parents and grandparents at home.

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amount of work for a black agency in the UK. The market is heavily fragmented and thus not easy to reach. It is perhaps mainly useful only for those products that gear themselves to a specific market such as cosmetic products. He thinks an agency specifically geared to the ethnic minorities will find it hard to make money in the UK.

John Hegarty, creative director and chairman of Bartle Bogle Hegarty, one of the leading UK advertising agencies, is more hostile. "There is a case for an agency that talks to, say, women or certain age groups, but an agency identified by race is a dangerous concept. It is a divisive force in our society and such examples as exist in the US show the failure of that society. I just hope it does not happen here."

That may be wishful thinking. Vince Callers of Chicago, the US's oldest black advertising agency, started in 1966, says it is looking at the UK as a base for its agency, not only to service the Caribbean and Africa, but also the rest of the European Community.

JK

## Review expects real growth

GLOBAL advertising expenditure is not experiencing the kind of upturn that has been predicted by some pundits at the start of 1993, but in the UK at least there are indications that the worst of the recession may be over.

The media buying and planning company Zenith - part of the Saatchi and Saatchi group - forecasts international real growth of 0.5 per cent this year, compared with real growth of 0.2 per cent for 1992.

In its latest advertising expenditure review of 38 international markets, Zenith offers a patchy outlook for advertising spend in Europe's seven biggest markets, which account for 93 per cent of the European Community's consumers.

In real terms, spending on all forms of advertising in 1993 is forecast to grow by 0.5 per cent in Belgium; to shrink by 5.8 per cent in France; to increase by 1.7 per cent in Germany; to rise by 1.1 per cent in Italy; to drop by 1.1 per cent in the Netherlands; and to decline by 2 per cent in Spain.

There are predictions that the market will increase by 1.9 per cent in the UK.

Nor is the North American market predicted to come surging out of the recession, with real increases of less than 1 per cent a year forecast for the current and also the next two years. For significant improvements, Asia and the Pacific areas are still in advance of other regions.

The report forecasts real growth of 1.5 per cent in 1993, 3.6 per cent in 1994 and 4.4 per cent in 1995, which is more than double the international average forecast for each year.

Advertising Expenditure Forecasts: Zenith Media Worldwide, Bridge House, 63-65 North Wharf Road, London W2 1LA. Price £175.

Gary Mead



GOLD, PINK AND BLACK

Pink Lady aims for a black audience

Two years ago Gaymer Group brands director Gary Holloway had a problem: how to revive Pink Lady, a sparkling perry drink whose sales were looking distinctly flat.

Advertising and promotion campaigns by some of the leading agencies in the UK had failed to stem the decline and the demise of the 50-year-old brand seemed only a matter of time.

It was then that research carried out for the company identified strong demand for Pink Lady in areas of London with a large black population. The idea of targeting this group of drinkers was born. The specialist agency WM&P was hired and the task of putting the fizz back into Pink Lady had begun.

Advertising agencies which focus on Britain's ethnic minorities are not only relatively new - WM&P was formed in 1989 - they have provoked considerable controversy within the industry.

Notwithstanding some notable

and apparently successful campaigns - such as Pink Lady - doubts remain about the viability of reaching an audience that represents 5.5 per cent of the British population and is highly fragmented.

Others question the social consequences.

WM&P's founders - former Collets Dickinson & Pearce executive Werbyne McIntyre and Pauline Robinson, who worked in PR promotion in the UK record industry - insist that a black agency can perform an important role. Besides Gaymer, its accounts have included HP Bulmer, Southwark Council, food company Vee Tee Rice the Metropolitan Police (for whom it conducted a recruitment campaign).

"We have the specialist knowledge of how to communicate with the different ethnic minorities in Britain, not necessarily because we are black but because we have an empathy for the things we are dealing with," says McIntyre.

For Pink Lady WM&P decided on a two-pronged approach when it won the account in 1991. The "above-the-line" campaign was aimed at the wider market and was centred on posters, the latest of which hit the streets in May in multi-racial boroughs of London showing "cool, fun-loving party people". It was backed up by advertising on radio stations.

The "below-the-line" campaign was targeted at the core audience of black people through promotions and sponsorship at night clubs, carnivals and black beauty exhibitions.

Having halted the decline in the first year of the campaign, UK sales this year are up 5 per cent on a year ago, and up 8 per cent in London. Holloway is even thinking about using the same approach to promote some of the company's other brands.

Another agency - Media Reach, formed in 1986 - targets the UK's 1.4m Asians who speak Urdu, Bengali, Gujarati, Punjabi and Hindi.















## LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Trust	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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**MANAGED FUNDS NOTES**

Prices are in cents unless otherwise indicated and 10¢ equals \$1.00. All values are as of 12/31/87. All values are for the fund's share of net assets after all buying expenses. Prices of certain older funds listed below subject to capital gains tax on net appreciation. Distribution tax of UK stated. \* Periodic payments insurance. † Single premium insurance. ‡ Collocated to Lloyds of London. § Other insurance. ¶ Insurance (Transatlantic Securities). †† Other per incident. ‡‡ Insurance except agent's commission. §§ Premiums pay a 5% discount policy. ¶¶ Computed. ††† Yield before Jersey Tax. ‡‡‡ Computed. §§§ Available to charitable bodies. ¶¶¶ Current shows sustainable rates of RWR increase. ††††† Current.

(\*) Funds not S&P registered. The regulatory authorities may also be: Guyanese; Financial Services Commission; Ireland; Central Bank of Ireland; Isle of Man; Financial Supervision Commission; Jersey; Hospital Services Development.



## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Sterling roller-coaster gains

The pound yesterday made erratic progress on the foreign exchanges, showing early strength against both the dollar and the D-Mark which later proved difficult to sustain.

During the morning, European currency traders seemed to shrug off worries about today's Maastricht vote in the House of Commons, as sterling gained a plannig against the D-Mark, and more than a cent against the dollar. By the end of trading, however, the UK currency had only built on these gains in the case of the dollar, closing 1.3 cents higher at \$1.545. Against the D-Mark, sterling had retreated to close 2.5 pence higher at DM2.5725. Sterling's haphazard movement came as the markets tried to weigh a new batch of healthy domestic figures against the political trials facing the government and the retreating prospect of German interest rate cuts. Retail sales rose by 1.3 per cent in June compared with the previous month, while exports last month rose to their highest ever levels. In the end, political instability appeared to have been the least important factor.

The better than expected UK figures were decisive against

the dollar, said analysts, because the markets seem to be expecting quite poor economic figures to come out of America in the months ahead.

This would explain the dollar's fall the previous day, despite the upbeat comments of the Chairman of the Federal Reserve in his testimony before Congress on Wednesday. This would usually have boosted the dollar, but traders believe the desire to sell the dollar will continue.

Sterling's gains against the D-Mark were restrained by the fact that many traders now think that unacceptable domestic monetary growth is going to keep German interest rates high for a while longer.

Meanwhile, the currency markets did not appear to be too concerned about the political uncertainties overshadowing British events.

"Foreign investors are tending to view the Maastricht vote the same way as a number of

MPs" said Mr Julian Collow, international economist at Midland Global Markets in London. "They don't really understand the issue and are just hoping it will all blow over. At the end of the day, most in the market probably think Mr Major will win, but at the moment the pound is really only reacting to economic news."

The dollar also lost ground against the D-Mark, closing DM1.6885, more than a pence down on the previous day's close of DM1.7050.

The Bank of France announced that they had bought French francs, as traders focused again on whether the French government can withstand an absence of German interest rate cuts at next week's Bundesbank council meeting. The French currency later recovered, however, to finish Fr5.415, only a little lower than the previous day's finish of Fr5.417.

The Bank of France

## EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Discrepancy
Portuguese Escudo	100	188.775	-1.30	3.38	27
Spanish Peseta	100	166.667	-0.78	1.50	18
Italian Lira	1,000	2,036.268	-0.78	1.50	18
French Franc	100	6.55957	-0.78	1.50	18
German Mark	100	1.93627	-0.78	1.50	18
Belgian Franc	100	40.3399	-0.78	1.50	18
Dutch Guilder	100	3.76033	-0.78	1.50	18
Swiss Franc	100	2.00481	-0.78	1.50	18

Each central bank sets the EMS rate by the European Commission. Currencies are in descending order of value. Percentage changes are for the day's movement. Discrepancy shows the difference between the actual market rate and the EMS rate. The percentage difference between the actual market rate and the EMS rate is shown in the last column. The percentage difference between the actual market rate and the EMS rate is shown in the last column.

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## FINANCIAL FUTURES AND OPTIONS

Contract	Open	High	Low	Prev
US Treasury Bill (91)	100.00	100.00	100.00	100.00
US Treasury Note (91)	100.00	100.00	100.00	100.00
US Treasury Bond (91)	100.00	100.00	100.00	100.00

Contract	Open	High	Low	Prev
US Treasury Bill (91)	100.00	100.00	100.00	100.00
US Treasury Note (91)	100.00	100.00	100.00	100.00
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US Treasury Bond (91)	100.00	100.00	100.00	100.00

Contract	Open	High	Low	Prev
US Treasury Bill (91)	100.00	100.00	100.00	100.00



## WORLD STOCK MARKETS

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# CANADA

Sales	Stock	High	Low	Close Day	Sales	Stock	High	Low	Close Day	Sales	Stock	High	Low	Close Day	Sales	Stock	High	Low	Close Day
<b>TORONTO</b>																			
4 pm close July 21																			
Quotations in cents unless marked \$																			
55 Abitibi Inc	\$12 1/2		\$12 1/2	12 1/2	-	18850 Echo Bay	\$18 1/4	15 1/4	15 1/4		889 Bell Can	\$10 1/8	10 1/8	10 1/8		32600 Soco Can	\$7 7/8	7 7/8	
3700 Alcan	\$20 1/2		\$20 1/2	20 1/2	+	11400 Enns Ltd	\$7 1/2	7 1/2	7 1/2		126100 Shell Can	\$7 3/4	7 3/4	7 3/4		126100 Shell Can	\$7 3/4	7 3/4	
377 Alberta Ed	\$18 1/4		\$18 1/4	18 1/4		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
37824 Alcan	\$18 1/4		\$18 1/4	18 1/4		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
718 Alcan	\$24 1/4		\$24 1/4	24 1/4		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
36348 Alcan	\$14 1/4		\$14 1/4	14 1/4	-	57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
50 Alcan D	\$14 1/4		\$14 1/4	14 1/4	-	57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
724155 Bk Mtn	\$20 1/2		\$20 1/2	20 1/2	+	57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
214537 Bk Mtn	\$20 1/2		\$20 1/2	20 1/2	+	57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
50 BC Supr	\$10		\$10	10		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
65441 Bk Mtn	\$20 1/2		\$20 1/2	20 1/2	+	57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
400 Belpair	\$15		\$15	15		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
4850 BSA	\$12 1/2		\$12 1/2	12 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
102765 BSA	\$12 1/2		\$12 1/2	12 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
380 Bawling	\$13 1/2		\$13 1/2	13 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
330 Bayview	\$13 1/2		\$13 1/2	13 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
72395 Biscuits A	\$15 1/2		\$15 1/2	15 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
776 Biscuits B	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
777 BCT Ltd	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
5544 Biscuits	\$21 1/2		\$21 1/2	21 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
600 Brumfield	\$7 1/4		\$7 1/4	7 1/4		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
<b>MONTREAL</b>																			
4 pm close July 21																			
123554 GAC Inc	\$70		\$70	70		30000 Soco Can	\$7 7/8	7 7/8	7 7/8		32600 Soco Can	\$7 7/8	7 7/8	7 7/8		32600 Soco Can	\$7 7/8	7 7/8	
226250 Campbell	\$179		\$179	179		126100 Shell Can	\$7 3/4	7 3/4	7 3/4		126100 Shell Can	\$7 3/4	7 3/4	7 3/4		126100 Shell Can	\$7 3/4	7 3/4	
102765 BSA	\$12 1/2		\$12 1/2	12 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
60180 Campbell	\$21 1/2		\$21 1/2	21 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
72 Chaffin Inc	\$15		\$15	15		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
246776 Inc	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
91 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
28131 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
2725 Can Dico	\$15 1/2		\$15 1/2	15 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
327 Can Dico	\$15 1/2		\$15 1/2	15 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
36000 Can Dico	\$21 1/2		\$21 1/2	21 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
58800 Can Dico	\$21 1/2		\$21 1/2	21 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
10044 Can Dico	\$15		\$15	15		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
6000 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
71700 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
25 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
1500 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
11400 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
24200 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
71000 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
74 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
6800 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	
46200 Can Dico	\$20 1/2		\$20 1/2	20 1/2		57500 Empire Ltd	\$10 1/2	10 1/2	10 1/2	+	126100 Soco Can	\$7 3/4	7 3/4	7 3/4		126100 Soco Can	\$7 3/4	7 3/4	

[illegible][illegible][illegible]

CANADA TORONTO										
	July	July	July	1993						
	20	18	16	15	HIGH	LOW				
Albermarle Corp. (12/97)					114.24	1155.7	1152.1	1148.0	1155.70 (28/7)	878.10 (23/9)
BHWESTERLAND										
Bank of Montreal (12/15/98)					1002.4	1008.0	1038.6	1053.4	1046.60 (3/7)	994.90 (11/7)
BSC CANADIAN (14/07)					791.9	798.9	815.3	820.1	827.50 (13/7)	676.70 (11/1)
TARJAN*										
Thomson Corp. (20/06/98)					3503.97	3607.84	3681.91	3914.04		3188.43 (8/1)
WALGREENS										
Windsor Group (20/04/98)					864.50	867.32	867.91	885.36	898.44 (5/7)	

[illegible]

**TOKYO - Most Active Stocks**  
Wednesday, July 21, 1993

	Traded	Price	on day		Traded	Price	on day
Nidastat	4.0m	30	+1	NEC Corp	5.7m	1,050	
Sunimoto Mfr Int	3.5m	338		Hippon Steel	2.6m	374	+7
Nagase & Co	3.2m	1,190	-20	Mitsubishi Heavy	2.5m	650	-2
Nycom Corp	2.8m	620	-70	Kawasaki Steel	1.5m	340	
Sunimoto Mfr Ind	2.7m	1,080		Ushio Incorp	2.1m	850	-13

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4 pm close July 21

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Low			High			Low			High		
Low			High			Low			High		
100	111	112	113	114	115	116	117	118	119	120	121
122	123	124	125	126	127	128	129	130	131	132	133
134	135	136	137	138	139	140	141	142	143	144	145
146	147	148	149	150	151	152	153	154	155	156	157
158	159	160	161	162	163	164	165	166	167	168	169
170	171	172	173	174	175	176	177	178	179	180	181
182	183	184	185	186	187	188	189	190	191	192	193
194	195	196	197	198	199	200	201	202	203	204	205
206	207	208	209	210	211	212	213	214	215	216	217
218	219	220	221	222	223	224	225	226	227	228	229
230	231	232	233	234	235	236	237	238	239	240	241
242	243	244	245	246	247	248	249	250	251	252	253
254	255	256	257	258	259	260	261	262	263	264	265
266	267	268	269	270	271	272	273	274	275	276	277
278	279	280	281	282	283	284	285	286	287	288	289
290	291	292	293	294	295	296	297	298	299	300	301
302	303	304	305	306	307	308	309	310	311	312	313
314	315	316	317	318	319	320	321	322	323	324	325
326	327	328	329	330	331	332	333	334	335	336	337
338	339	340	341	342	343	344	345	346	347	348	349
350	351	352	353	354	355	356	357	358	359	360	361
362	363	364	365	366	367	368	369	370	371	372	373
374	375	376	377	378	379	380	381	382	383	384	385
386	387	388	389	390	391	392	393	394	395	396	397
398	399	400	401	402	403	404	405	406	407	408	409
410	411	412	413	414	415	416	417	418	419	420	421
422	423	424	425	426	427	428	429	430	431	432	433
434	435	436	437	438	439	440	441	442	443	444	445
446	447	448	449	450	451	452	453	454	455	456	457
458	459	460	461	462	463	464	465	466	467	468	469
470	471	472	473	474	475	476	477	478	479	480	481
482	483	484	485	486	487	488	489	490	491	492	493
494	495	496	497	498	499	500	501	502	503	504	505
506	507	508	509	510	511	512	513	514	515	516	517
518	519	520	521	522	523	524	525	526	527	528	529
530	531	532	533	534	535	536	537	538	539	540	541
542	543	544	545	546	547	548	549	550	551	552	553
554	555	556	557	558	559	560	561	562	563	564	565
566	567	568	569	570	571	572	573	574	575	576	577
578	579	580	581	582	583	584	585	586	587	588	589
590	591	592	593	594	595	596	597	598	599	600	601
602	603	604	605	606	607	608	609	610	611	612	613
614	615	616	617	618	619	620	621	622	623	624	625
626	627	628	629	630	631	632	633	634	635	636	637
638	639	640	641	642	643	644	645	646	647	648	649
650	651	652	653	654	655	656	657	658	659	660	661
662	663	664	665	666	667	668	669	670	671	672	673
674	675	676	677	678	679	680	681	682	683	684	685
686	687	688	689	690	691	692	693	694	695	696	697
698	699	700	701	702	703	704	705	706	707	708	709
710	711	712	713	714	715	716	717	718	719	720	721
722	723	724	725	726	727	728	729	730	731	732	733
734	735	736	737	738	739	740	741	742	743	744	745
746	747	748	749	750	751	752	753	754	755	756	757
758	759	760	761	762	763	764	765	766	767	768	769
770	771	772	773	774	775	776	777	778	779	780	781
782	783	784	785	786	787	788	789	790	791	792	793
794	795	796	797	798	799	800	801	802	803	804	805
806	807	808	809	810	811	812	813	814	815	816	817
818	819	820	821	822	823	824	825	826	827	828	829
830	831	832	833	834	835	836	837	838	839	840	841
842	843	844	845	846	847	848	849	850	851	852	853
854	855	856	857	858	859	860	861	862	863	864	865
866	867	868	869	870	871	872	873	874	875	876	877
878	879	880	881	882	883	884	885	886	887	888	889
890	891	892	893	894	895	896	897	898	899	900	901
902	903	904	905	906	907	908	909	910	911	912	913
914	915	916	917	918	919	920	921	922	923	924	925
926	927	928	929	930	931	932	933	934	935	936	937
938	939	940	941	942	943	944	945	946	947	948	949
950	951	952	953	954	955	956	957	958	959	960	961
962	963	964	965	966	967	968	969	970	971	972	973
974	975	976	977	978	979	980	981	982	983	984	985
986	987	988	989	990	991	992	993	994	995	996	997
998	999	1000	1001	1002	1003	1004	1005	1006	1007	1008	1009
1010	1011	1012	1013	1014	1015	1016	1017	1018	1019	1020	1021
1022	1023	1024	1025	1026	1027	1028	1029	1030	1031	1032	1033
1034	1035	1036	1037	1038	1039	1040	1041	1042	1043	1044	1045
1046	1047	1048	1049	1050	1051	1052	1053	1054	1055	1056	1057
1058	1059	1060	1061	1062</							







## AMERICA

## Dow eases on monetary policy worries

## Wall Street

EQUITY prices followed bonds lower yesterday morning, as uneasiness about the Federal Reserve's monetary policy pushed market interest rates higher, writes Karen Zagor in New York.

At 12.30 pm, the Dow Jones Industrial Average was down 6.71 at 3,538.07. The more broadly based Standard & Poor's 500 was off 1.00 at 446.31, while the Amex composite eased 0.59 at 436.20, and the Nasdaq composite fell 1.56 at 609.95. Trading volume on the NYSE was more than 137m shares by 12.30 m, and declines outnumbered rises by 996 to 746.

Losses were more severe in the bond market, where the benchmark 30-year bond had fallen  $\frac{1}{8}$  to 106 $\frac{1}{2}$ , yielding 6.800 per cent by lunchtime. Bonds have fallen steadily since Tuesday, when Mr Alan Greenspan, chairman of the Federal Reserve, told congress that US inflation was disappointing. His remarks sparked fears that the Federal Reserve might tighten monetary policy.

Compaq Computer climbed \$3 to \$49 in very heavy trading following the release of second quarter earnings which met analysts' forecasts. Compaq's ability to meet investor expectations was in contrast to the performance of many other computer companies this quarter, most notably Apple Computer, which disappointed investors last week with weak third quarter earnings.

In Nasdaq trading, Apple's share price continued to erode after a one day hiatus on Tuesday. The stock was quoted  $\frac{1}{4}$  lower at \$26. Also in the technology sector, Intel fell  $\frac{1}{4}$  to \$50.4 after a court ruled against the company in copyright litigation with Advanced Micro Devices. The ruling helped lift shares in Advanced Micro Devices by  $\frac{1}{4}$  to \$24 $\frac{1}{2}$  in big board trading.

## EUROPE

## German M3 data counterbalance repo rate cut

THE rise in German M3, coupled with a growing, but not universal, belief that the Bundesbank is now unlikely to cut interest rates again before its summer recess, left many markets weaker yesterday, writes Our Markets Staff.

FRANKFURT liked a repo rate cut of 13 basis points to 7.15 per cent, but the DAX index still incorporated Tuesday's post-bourse declines to close 15.18 lower at 1,833.81. In the afternoon, prices wavered in response to a rise in Germany's M3 money supply growth indicator to 7.1 per cent, against the 6.6 per cent expected by most analysts.

Turnover fell from DM9.2bn to DM8.2bn. Mr Nigel Longley of Commerzbank said that the bank was still a bull of the market, on indications that M3 will get into its target 4.5 to 6.5 per cent growth "corridor" in the second half of this year, and in the expectation of a key interest rate cut next week. Profit-taking hit both cyclical, strong in the June quarter, and more defensive stocks like utilities which have picked

up in the past few days. Daimler dropped DM9.50 to DM6.80 in carmakers, Thyssen shed DM7.50 to DM2.06 in steels and Viag, the utility-based conglomerate, lost some of its recent excitement with a fall of DM4.90 to DM3.30. However Mr Longley, like other dealers, thought yesterday's fall a healthy reaction after a 140-point DAX gain in just over a fortnight.

PARIS anticipated weakness in the bond market and fell sharply before picking up some strength just before the close. The CAC-40 index ended off 20.91 or 1 per cent at 1,947.53, after a day's low of 1,939.

Turnover was estimated at FF2.2bn. In the automotive sector Peugeot closed FF10 lower at FF600 while Valeo went against the trend with a rise of FF8 to FF897.

Flemings, in a recent research document on the European automotive industry, gives a fairly positive long-term outlook for Peugeot, in spite of a gloomy earnings outlook for 1993 and 1994. How-

## FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		July 21	July 20	July 19	July 18	July 17	July 16	July 15	July 14	July 13	July 12
FT-SE 100	1216.48	1217.33	1218.11	1218.17	1215.33	1211.02	1212.79	1212.75	1212.75	1212.75	1212.75
FT-SE 200	1267.93	1268.91	1271.18	1271.01	1268.19	1264.82	1268.04	1268.97	1268.97	1268.97	1268.97

See also 1200 (22/07/93) High/Low: 100 - 1218.94 200 - 1271.70 Low/high: 100 - 1201.81 200 - 1264.16

ever, the brokers remark that efforts by the group to improve productivity and keep manufacturing costs in check should help it raise earnings potential from 1995 compared with other European car manufacturers.

In contrast, James Capel yesterday issued a sell note on Valeo, which has risen 22 per cent since its year's low in May, arguing that there is considerable downside risk if the "vague expectations of some form of a corporate deal involving Cerus" [which has a 35 per cent stake in the group] do not develop.

BSN was the day's most active issue, as the shares declined another FF9 to

FF833, with selling seen from the UK.

Unconfirmed reports of a possible agreement in the dispute between Eurotunnel and TML contributed to the shares gaining 50 centimes or 2.5 per cent to FF36.30.

Alcatel slipped FF4 to FF641 after it said that it was buying a unit of Northern Telecom of Canada, thereby creating the world's biggest undersea cables group.

ZURICH regained a measure of composure after some heavy early selling had continued Tuesday's market correction. The SMI index finished 9.0 lower at 2,815.1, after a day's low of 2,821.6.

UBS bearers again led the market lower, losing SF6 to SF11.19, while Nestlé, actively sold by foreign investors, dipped SF16 to SF11.03.

Insurers picked up after Tuesday's falls as it became clear that much of the US flood damage was not insured. Zurich insurance bearers and registered shares added SF38 and SF140 respectively, both to SF11.19.

Brown Boveri continued against the trend, adding SF18 to SF75.

MILAN made a firm start, before worries about the weakness of the lira against the dollar and the D-mark prompted a round of profit-taking which left the Comit index 3.37 lower at 558.37.

A rise to 9.66 per cent in the average rate at the Bank of Italy's repurchase tender, compared with the previous 9.34 per cent, was also higher than the market had been expecting. Olivetti's strong run came to an abrupt halt with a fall of 1.88 or 4.8 per cent to L1.818, although it remains supported by expectations that it will win

Major win  
Maastricht  
but loses

## ASIA PACIFIC

## Nikkei edges ahead as Australia hits five-year high

## Tokyo

UNCERTAINTY over political events and a gloomy outlook for the economy discouraged investors, and business was slow as the Nikkei average gained marginal ground, writes Our Markets Staff.

The Nikkei finished 43.91 higher at 20,080.91 after a day's low of 19,972.60 and high of 20,117.71. After institutional investors and foreigners rearranged their portfolios during the first 30 minutes of trading, the index remained around the 20,000 level, in line with index-linked activity.

Volume totalled 250m shares, against 236m. Traders noted the absence of public pension and insurance funds. Declines led rises by 523 to 420, with 220 issues unchanged. The Topix index of all first section stocks edged up 1.69 to 1,636.32 and, in London, the ISE/Nikkei 50

index firmed 0.44 to 1,244.39.

Weak economic figures suggested that while the economy has hit a bottom, the wait for a rebound would be prolonged. A fund manager said that with the economy moving in an "L" shape it is unlikely that aggressive buying would emerge in the short term.

Weak household spending figures indicated sluggish consumer confidence, while the government's leading indicator fell below 50 per cent, the boom-bust line, for the first time in four months.

Investors were also discouraged by reports that leading manufacturers, including Toyota and electronics manufacturers, will lengthen their summer holidays to curb output.

Stocks linked to East Japan Railway, which will have its shares listed on the Tokyo Stock Exchange on October 26, were actively traded.

Advertising for the stock sale, by JR East and brokers, started yesterday. Nippon Express, the parcel delivery company, rose Y10 to Y1,050 and Keisei Electric Railway gained Y10 to Y1,260.

The lack of fresh news prompted speculative trading. Nikkatsu, the most active issue of the day, firmed Y1 to Y20 and Nagase, a chemical maker, put on Y20 to Y1,190 on rumours that a subsidiary was seeking to be listed. Hazama, the construction group involved in several bribery scandals, lost further ground, closing Y13 down at Y44.

Profit-taking depressed issues which had risen earlier on reports that DDI, a telecommunications company, would apply for listing. Kyocera fell Y70 to Y6,230 and Ushio retreated Y13 to Y960.

In Osaka, the OSE average rose 50.97 to 22,175.59 in volume of 20.8m shares.

## Roundup

PACIFIC Rim markets found their own reasons for a series of mostly strong performances.

AUSTRALIAN shares finished at their highest level since October 1987, with local demand spurred by hopes of a cut in interest rates, perhaps after the release of inflation and trade figures next week.

The market was also supported by strong European and Asian demand for blue chip issues, and the All Ordinaries index ended 12.4 higher at 1,818.15 in turnover of A\$436.9m.

NEW ZEALAND advanced to a three-year high, with encouragement for equities coming from the bond market and an opinion poll giving the ruling conservative National party a seven-point lead over the opposition Labour party, ahead of the election later this year. The NZSE-40 index closed 15.59, or

0.9 per cent, ahead at 1,729.50.

KUALA LUMPUR climbed 2.1 per cent to an all-time peak amid strong institutional buying of blue chip stocks after the market's recent correction.

The composite index was finally 15.70 up at 761.60 following late profit-taking that had limited gains after index-linked stocks had led the surge.

MANILA posted a record close, with local dealing fuelled by gains made on Wall Street by Philippine Long Distance Telephone.

The composite index surged 31.08 to 1,681.86 as PLDT added 35 pesos at 1,050 pesos.

SINGAPORE rebounded on renewed institutional buying of blue chips after news that Singapore Telecom's flotation would be carried out in stages, freeing up the market's near to medium-term liquidity.

The Straits Times Industrial index finished 31.33, or 1.7 per cent, stronger at 1,805.67.

KARACHI was again higher after further comments by Mr Moeen Qureshi, the caretaker prime minister, reiterating a continuation of liberal economic policies. The KSE index advanced 13.42 to 1,320.33.

BOMBAY edged forward on renewed buying by speculators from other centres such as Calcutta and Ahmedabad. The BSE index closed 20.66 up at 2,126.15.

HONG KONG saw an early rally run out of steam, leaving the Hang Seng index a net 6.88 off at 6,839.98 in turnover that slumped to HK\$2.35bn.

Stock prices opened higher and the index climbed more than 40 points at one stage in the morning as optimism about the Sino-British talks sparked buying.

But the mood changed in the afternoon, following news that the US could take action against China if it continued to sell missiles to Pakistan.

## Brazil slips 4% after defeat of wages bill

## By John Pitt

Many of the world's emerging markets suffered modest downward corrections last week, with Brazil slipping some 4 per cent in dollar terms.

Brazil's fall, as measured by data provided by the IFC, a member of the World Bank, followed the government's defeat on a wages bill which had aimed to limit monthly wage increases. Subsequently, President Itamar Franco vetoed the bill, and this week the market has again rallied.

Mexico, one of the world's laggards in performance terms so far this year, has attracted the attention of First Boston's equity strategists. They have recently recommended an overweight position in Mexico over the next quarter, based on factors which include "positive economic news, attractive valuations and the imminent signing of the Nafta side agreements".

The Indonesian market has shown a strong performance in

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES									
Market	No. of stocks	Dollar terms			Local currency terms			1993	1992
		Jul 16	% Change	% Change	Jul 16	% Change	% Change		
		1993	over week	on Dec '92		1993	over week	on Dec '92	
Latin America	(11)	601.58	-1.4	+3.7	389,143.81	-1.4	+3.9		
Argentina	(44)	182.21	-4.0	+45.8	15,616,224.20	-2.0	+64.8		
Brazil	(20)	413.83	-0.3	-1.2	870.08	-0.4	+4.5		
Chile	(6)	390.50	-1.5	-0.2	851.22	-0.3	-0.8		
Colombia	(8)	650.97	+0.5	-3.7	877.85	+0.7	-3.3		
Mexico	(59)	580.24	0.0	+11.7	1,196.90	+0.5	+28.2		
Venezuela	(6)	102.36	-2.2	+4.3	108.65	-1.8	+8.8		
East Asia	(11)	152.21	0.0	+14.0	198.90	+0.5	+23.0		
South Korea	(130)	82.88	-4.2	+12.3	81.71	-4.2	+17.2		
Philippines	(78)	72.17	-3.3	-23.0	79.84	-3.3	-16.4		
Taiwan, China	(31)	79.61	-0.8	+35.6	90.44	-0.9	+37.5		
South Asia	(81)	201.50	-0.2	+23.2	190.96	-0.4	+21.0		
India	(61)	218.93	-1.1	+49.3	289.12	-1.0	+18.1		
Indonesia	(52)	242.08	-2.4	+5.1	244.05	-2.2	+4.7		
Malaysia	(17)	220.49	+2.5	+12.9	350.99	+2.6	+23.3		
Thailand	(5)	198.78	-5.8	+45.3	244.46	-5.5	+47.4		
Europe/Middle East	(16)	92.82	+2.0	+20.3	106.50	+4.7	+36.6		
Greece	(31)	136.28	-1.2	+103.8	710.22	+0.2	+164.8		

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date Dec 1989-100 except from notes which state otherwise. 1993/1992 Jan 2 1992/1991 Jan 2 1991/1990 Jan 2 1990/1989 Jan 2 1989/1988 Jan 2 1988/1987 Jan 2 1987/1986 Jan 2 1986/1985 Jan 2 1985/1984 Jan 2 1984/1983 Jan 2 1983/1982 Jan 2 1982/1981 Jan 2 1981/1980 Jan 2 1980/1979 Jan 2 1979/1978 Jan 2 1978/1977 Jan 2 1977/1976 Jan 2 1976/1975 Jan 2 1975/1974 Jan 2 1974/1973 Jan 2 1973/1972 Jan 2 1972/1971 Jan 2 1971/1970 Jan 2 1970/1969 Jan 2 1969/1968 Jan 2 1968/1967 Jan 2 1967/1966 Jan 2 1966/1965 Jan 2 1965/1964 Jan 2 1964/1963 Jan 2 1963/1962 Jan 2 1962/1961 Jan 2 1961/1960 Jan 2 1960/1959 Jan 2 1959/1958 Jan 2 1958/1957 Jan 2 1957/1956 Jan 2 1956/1955 Jan 2 1955/1954 Jan 2 1954/1953 Jan 2 1953/1952 Jan 2 1952/1951 Jan 2 1951/1950 Jan 2 1950/1949 Jan 2 1949/1948 Jan 2 1948/1947 Jan 2 1947/1946 Jan 2 1946/1945 Jan 2 1945/1944 Jan 2 1944/1943 Jan 2 1943/1942 Jan 2 1942/1941 Jan 2 1941/1940 Jan 2 1940/1939 Jan 2 1939/1938 Jan 2 1938/1937 Jan 2 1937/1936 Jan 2 1936/1935 Jan 2 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